
**STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER**

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



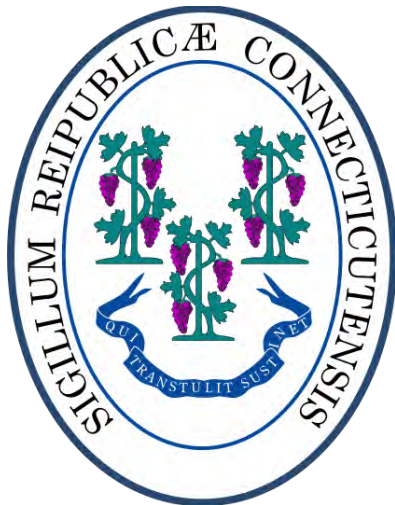
**KEVIN LEMBO
COMPTROLLER**

DECEMBER 2017

Connecticut

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2017



Dannel Malloy
GOVERNOR

Kevin Lembo
STATE COMPTROLLER

Prepared by Budget and Financial Analysis Division
Office of the State Comptroller

<http://www.osc.state.ct.us/2017cafr/>

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A special thank you to the accounting personnel throughout the State. Their efforts to contribute accurate and timely financial data for their agencies, universities, community colleges, and institutions made this report possible.

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State of Connecticut

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INTRODUCTORY SECTION

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KEVIN LEMBO
STATE COMPTROLLER



MARTHA CARLSON
DEPUTY COMPTROLLER



STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

December 29, 2017

To the Citizens, Constitutional Executive Officers, and Members of the Legislative General Assembly of the State of Connecticut:

It is a privilege to present the State of Connecticut Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Even though much of this report must be written in a rather formal and technical manner, my office has endeavored to present the information in a way that will help readers without a financial background to understand the State's overall economic and fiscal position.

This report devotes significant attention to the state's General Fund. The General Fund is the largest single governmental fund. It is the fund most often referred to in media reports about Connecticut's finances. About three-quarters of all governmental financial transactions relating to the cost of providing state services and the collection of revenues to pay for those services occur within the General Fund.

The General Fund is formulated, implemented, and modified during the fiscal year using the legal budgetary form of accounting that incorporates certain revenue and expenditure accruals that are not consistent in every instance with the GAAP method of reporting used in this publication. For the GAAP based General Fund results for Fiscal Year 2017 please refer to the *Governmental Fund Financial Statements* section of this report beginning on page 40.

The General Fund ended Fiscal Year 2017 with a deficit of \$22,696,231 on a budgetary basis of accounting. A transfer from the Budget Reserve Fund eliminated the shortfall returning the unappropriated balance of the fund to zero. The Transportation Fund had an operating deficit of \$45,225,502 on the budgetary accounting basis, which left a positive fund balance of \$97,615,054 at the close of Fiscal Year 2017. After the transfer to the General Fund, the Budget Reserve Fund will have a balance of \$212,886,689. The reserves at the beginning of Fiscal Year 2017 were \$235,582,920.

A complete discussion of Fiscal Year 2017 budget and fiscal trends is contained in the MDA section of this report.

Major Legislative Initiatives

Public Act No. 17-226 “An Act Concerning Evaluation of Business Assistance and Incentive Programs” This act expands legislative review of economic development programs, including certain programs administered by agencies other than the Department of Economic and Community Development (DECD). It does so by requiring DECD to include information about the economic development programs in its annual report and making that report the basis for the review. DECD must submit the expanded report to the Auditors of Public Accounts and several legislative review committees, including Appropriations, Commerce, and Finance, Revenue and Bonding.

The act creates more transparency by requiring additional analysis of the estimated economic effects of the DECD's economic development investments on the state's economy. For each new business or incentive program, additional reporting requirements include the number of new jobs created, the borrowing cost to the state and the estimated impact of such program on annual state revenues. In addition, the act requires an evaluation of whether the statutory and programmatic goals of each business or incentive program are being met, with obstacles to such goals identified, if possible. Finally, the act calls for recommendations as to whether any existing business assistance or incentive program should be continued, modified or repealed and the basis for such recommendations.

Resolution Act No. 17-1 (House Joint Resolution No. 100), “Resolution Approving a State Constitutional Amendment to Protect Transportation Funds” The Connecticut General Assembly passed this joint resolution during the 2017 legislative session, which will put a State constitutional amendment on the ballot in November 2018. The amendment, if approved by Connecticut voters, would provide additional protection for the resources of the Special Transportation Fund (STF). The concept proposed in the resolution has also been described as the “Transportation Lockbox” in many news articles. The ballot designation to be used when the amendment is presented during the 2018 general election is:

Shall the Constitution of the State be amended to ensure (1) that all moneys contained in the Special Transportation Fund be used solely for transportation purposes, including the payment of debts of the state incurred for transportation purposes, and (2) that sources of funds deposited in the Special Transportation Fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the state?

Improving the State’s transportation infrastructure is a critical need for both Connecticut’s quality of life and its future economic growth and development. According to the Connecticut Office of Legislative Research, this resolution, if adopted, would do the following:

1. Maintain the Special Transportation Fund as a perpetual fund and prohibit the legislature from enacting any law authorizing the spending of STF funds for any purpose other than transportation;
2. Require the legislature to use the STF solely for transportation purposes, which includes paying debt service on state obligations incurred for such purposes; and

3. Require sources of funding, money, and receipts that must be legally credited, deposited, or transferred to the STF on or after the amendment's effective date to be credited, deposited, or transferred to the STF as long as state law authorizes the state, or any of its officers, to collect or receive these sources.

Public Act No. 17-241 “An Act Concerning Contracts Between a Pharmacy and a Pharmacy Benefits Manager, the Bidirectional Exchange of Electronic Health Records and the Charging of Facilities Fees By a Hospital or Health System” This act makes several changes affecting hospitals and health systems, health care providers, and health carriers. One of the primary goals of this legislation is to bring more transparency and accountability into pharmaceutical pricing by making more information available to consumers and government entities.

Among other things, the act prohibits pharmacy services contracts from prohibiting or penalizing a pharmacist’s disclosure of certain information, such as therapeutic alternatives or less expensive purchasing methods, to a person purchasing a prescription. In addition, it would allow indirect purchasers (such as State of Connecticut representing itself or the State’s consumers) to recover against drug manufacturers for antitrust violations. Finally, the act forbids certain contracts between health care providers and health carriers’ agents or vendors from prohibiting disclosure of specified cost-related information and all-payer claims data.

Independent Auditor Opinions

As a Connecticut Constitutional Officer, the State Comptroller is responsible for setting state-wide accounting practices. Ultimate responsibility for the accuracy, completeness, and fairness of data presented in this CAFR, including all disclosures, rests with the State of Connecticut and my office. Connecticut statutes require an annual audit of the state’s basic financial statements. These include statements prepared on the budgetary basis of accounting as well as statements prepared using full GAAP standards. The state is also required to undergo an annual “single audit” for reporting to the federal government. To meet all of these requirements, the State Auditors of Public Accounts have examined our financial statements and the appropriate supporting documentation.

The State auditors gave the CAFR for the State of Connecticut a “clean” opinion indicating they can state, without reservation, that the financial statements are fairly presented in all material respects in conformity with GAAP.

Profile of the Government and its Safeguards

The Nutmeg State

Connecticut became the fifth state of the United States on January 9, 1788. Its borders encompass 5,009 square miles. Within its compact borders, Connecticut has forested hills, urban skylines, shoreline beaches, and historic village greens. Connecticut is a thriving center of business as well as a vacation location. It is both a New England State, and suburban to New

York City. The population of Connecticut was 3,576,452 according to the July 1, 2016 estimate of the U.S. Census Bureau. Five large cities, Bridgeport, New Haven, Hartford (the State Capitol since 1875), Stamford and Waterbury, have populations in excess of 100,000 residents.

State Government

Separation-of-Powers provisions of the State Constitution established the three branches of state government: executive, legislative and judicial. The executive branch, which is responsible for enforcing state laws, consists of six state executive officers: Governor, Lieutenant Governor, Treasurer, Comptroller, Secretary of State and Attorney General. All are elected to four-year terms.

Connecticut's General Assembly or legislative branch is responsible for creating new laws and consists of a Senate and a House of Representatives. There are currently 36 State Senators and 151 State Representatives. Members of the General Assembly are elected to two-year terms. Connecticut also elects two U.S. Senators and five U.S. Representatives.

The Judicial Branch is responsible for interpreting and upholding our laws as consistent with the State Constitution and legal precedence. The Judicial Branch consists of three levels: The Supreme Court, the Appellate Court and, at the lowest level, the Superior Court which is further divided by state law into Civil, Criminal, Housing and Family Divisions. Judges of the Supreme Court, the Appellate Court and the Superior Court are nominated by the Governor from a list of candidates submitted by the Judicial Selection Commission and are confirmed by the General Assembly. They serve eight-year terms and are eligible for reappointment.

The Reporting Entity

The State of Connecticut financial reporting entity includes all of the funds of the primary government and of its component units. The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the state's legal entity. Component units are legally separate entities for which the primary government is financially accountable. Note 1 of this report contains detailed information on the reporting entity.

Internal Controls

Our state's internal control structure has been established to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP and state legal requirements. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The State Legislature prepares a two-year budget that contains estimates of revenues and expenditures for the ensuing two fiscal years. This budget is the result of negotiations between the Governor and the Legislature. Adjustments, in the form of budget revisions, executive orders, and financial legislation agreed to by the Governor and the Legislature, are made to the annual appropriations throughout the fiscal year. Budgetary controls are maintained at the individual appropriation account level by agency and fund established in authorized appropriation bills. The objective of these controls is to ensure compliance with state laws embodied in the appropriations. The State Comptroller is statutorily responsible for control structures to safeguard revenues due the primary government, to determine the amount equitably due with respect to claims made and to ensure such expenditures are compliant with an appropriation contained in the budget for such purpose.

Budgeted appropriations are the expenditure authorizations that allow state agencies to purchase or create liabilities for goods and services. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process, which includes limits on the power of the Governor to modify appropriations, preserves expenditure controls over special revenue, enterprise, and internal service funds and capital projects that are not budgeted as part of the annual appropriation act as revised.

The Spending Cap

In November 1992, electors approved an amendment to the State Constitution providing that the amount of budgeted expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment thus provided a framework for placing a cap on budgeted appropriations.

Annual budgeted appropriations are capped at a percentage increase that is based on either the five-year average annual growth in the State's personal income or annual inflation, whichever is higher. Debt service payments, certain statutory grants to distressed municipalities, and appropriations required by federal mandate or court order are excluded from the limits of the cap.

The spending cap can be lifted if the Governor declares the existence of extraordinary circumstances and the General Assembly by three-fifths vote approves appropriations in excess of the cap.

Economic Condition and Outlook

According to state Department of Labor (DOL) statistics, Connecticut gained 12,200 nonfarm seasonally-adjusted payroll jobs over the course of FY 2017 and had a total of 1,692,800 employed residents as of June 2017. As the fiscal year closed, unemployment stood at 5.0 percent, down one-tenth of a percent from the beginning of the fiscal year. Connecticut had

recovered 82.3 percent (98,000 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year.

After mixed results in calendar 2016, the housing market in Connecticut improved during the first six months of 2017. According to Berkshire Hathaway Home Services, sales and prices were up for both single family homes and condominiums in the first quarter of 2017 compared with the same period in 2016. In the second quarter of 2017, Connecticut experienced a 5.7 percent increase in sales volume year-over-year and 9.1 percent decrease in days on the market.

A more complete discussion of Fiscal Year 2017 economic condition and outlook is contained in the MDA section of this report

Acknowledgements

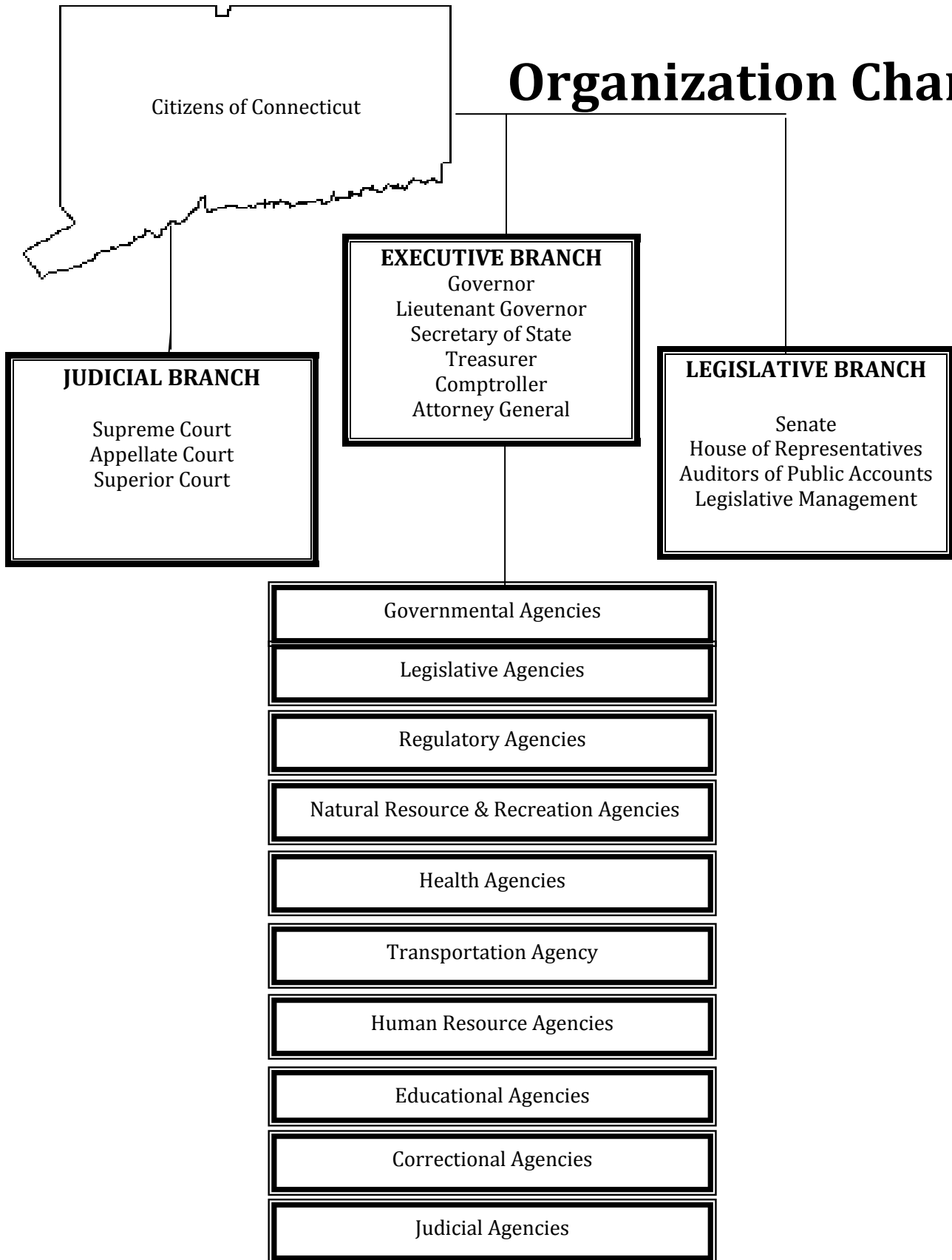
I want to thank my staff, the State Auditors, and all of the agency personnel and others who contributed to producing this report. I also want to thank its readers who bring meaning to the work that we do.

Sincerely,

A handwritten signature in cursive script that reads "Kevin Lembo".

Kevin Lembo
Connecticut State Comptroller

Organization Chart



***CONSTITUTIONAL OFFICERS
EXECUTIVE***

Dannel P. Malloy
Governor

Nancy Wyman
Lieutenant Governor

Denise Merrill
Secretary of State

Denise L. Nappier
Treasurer

Kevin Lembo
Comptroller

George C. Jepsen
Attorney General

LEGISLATIVE

Martin M. Looney
Democratic President Pro Tempore of the Senate

Len Fasano
Republican President Pro Tempore of the Senate

Joseph Aresimowicz
Speaker of the House of Representatives

JUDICIAL

Chase T. Rogers
Chief Justice, Supreme Court



*FINANCIAL
SECTION*

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent 2 percent of the assets, 2 percent of the net position and 8 percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units.

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 97 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Enterprise Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Connecticut Airport Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Health Insurance Exchange, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Connecticut Green Bank were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 23 and 25, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires the disclosure of tax abatements resulting from agreements that are entered into by the state and agreements that are entered into by other governments that reduce the state's tax revenues. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension plan schedules and information, and the other post-employment benefits schedules, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2017, State of Connecticut Comprehensive Annual Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor

December 29, 2017
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2017. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) increased \$802 million (or 2.1 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by \$1.2 billion (or 2.8 percent) and net position of business-type activities increased by \$440 million (or 7.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative \$45.4 billion and \$6.7 billion, respectively.

Component units reported net position of \$2.4 billion, an increase of \$46.2 million or 2.0 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

Fund Financial Statements

The governmental funds reported combined ending fund balance of \$2.9 billion, an increase of \$1.0 billion in comparison with the prior year. Of this total fund balance, \$195.6 million represents nonspendable fund balance, \$3.2 billion represents restricted fund balance, \$303.5 million represents committed fund balance, and \$6.5 million represents assigned fund balance. A negative \$829.7 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund, decreased by \$177.7 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of \$212.9 million.

Tax revenues in the governmental funds decreased \$85.4 million or .05 percent. General fund tax revenues decreased \$135.4 million or .09 percent.

The Enterprise funds reported net position of \$6.7 billion at year-end, an increase of \$440.1 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long-Term Debt

Total long-term debt was \$74.5 billion for governmental activities at year-end, of which \$25.5 billion was bonded debt.

Total long-term debt was \$2.1 billion for business-type activities at year-end, of which \$1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements. The State's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information to provide additional support to the basic financial statements.

Government-wide Financial Statements – Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities beginning on page 35 together comprise the government-wide financial statements. These financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the

State of Connecticut

State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between all reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.
- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Community Colleges), Employment Security Fund, and Clean Water Fund.
- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

Fund Financial Statements – Report the State's Most Significant Funds

The fund financial statements beginning on page 39 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted Grants and Accounts

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Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other seventeen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The State reports four individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Connecticut Community Colleges), Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **Fiduciary Funds** – Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.
- **Component Units** – The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages 41 and 43 which reconcile and explain the differences between the amounts reported for governmental activities on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.
- Net Pension Liability and Net OPEB Obligation are included on the government-wide statements, but are not reported on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred inflows of resource on the governmental fund statements.

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Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information (RSI)

Following the basic financial statements are budgetary comparison schedules for major funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for Budgetary vs. GAAP basis of accounting. The RSI also includes information regarding the State's funding progress and employer contributions for pension and other postemployment benefits, and change in employers' net pension liability.

Supplementary Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

Statistical Section

This section provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State increased \$802 million or 2.1 percent. In comparison, last year the combined net position deficit increased \$2.5 billion or 7.0 percent. The net position deficit of the State's governmental activities increased \$1.2 billion (2.8 percent) to \$45.4 billion during the current fiscal year.

State Of Connecticut's Net Position (Expressed in Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS						
Current and Other Assets	\$ 4,074	\$ 4,674	\$ 2,477	\$ 4,166	\$ 6,551	\$ 8,840
Capital Assets	16,653	13,706	6,888	4,539	23,541	18,245
Total Assets	<u>20,727</u>	<u>18,380</u>	<u>9,365</u>	<u>8,705</u>	<u>30,092</u>	<u>27,085</u>
Deferred Outflows of Resources	11,183	2,656	14	12	11,197	2,668
LIABILITIES						
Current Liabilities	4,716	4,501	691	715	5,407	5,216
Long-term Liabilities	72,236	60,580	1,976	1,714	74,212	62,294
Total Liabilities	<u>76,952</u>	<u>65,081</u>	<u>2,667</u>	<u>2,429</u>	<u>79,619</u>	<u>67,510</u>
Deferred Inflows of Resources	328	83	3	19	331	102
NET POSITION						
Net Investment in Capital Assets	4,568	4,531	4,126	3,794	8,694	8,325
Restricted	2,888	1,977	1,018	1,090	3,906	3,067
Unrestricted	(52,826)	(50,636)	1,565	1,385	(51,261)	(49,251)
Total Net Position (Deficit)	<u>\$ (45,370)</u>	<u>\$ (44,128)</u>	<u>\$ 6,709</u>	<u>\$ 6,269</u>	<u>\$ (38,661)</u>	<u>\$ (37,859)</u>

Total invested in capital assets net of related debt was \$4.6 billion (buildings, roads, bridges, etc.) and \$2.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of \$52.8 billion for governmental activities. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds outstanding of \$18.4 billion to finance various municipal grant programs (e.g., school construction) and \$2.2 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of \$49.0 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

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Net position of the State's business-type activities increased \$440.0 million (7.0 percent) to \$6.7 billion during the current fiscal year. Of this amount, \$4.1 billion invested in capital assets and \$1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of \$1.6 billion. These resources are not available to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

Changes in net position for the years ended June 30, 2017 and 2016 were as follows:

State of Connecticut's Changes in Net Position (Expressed in Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% change 17-16</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
REVENUES							
Program Revenues							
Charges for Services	\$ 3,038	\$ 1,998	\$ 2,887	\$ 2,820	\$ 5,925	\$ 4,818	23.0%
Operating Grants and Contributions	7,368	7,179	367	594	7,735	7,773	-0.5%
Capital Grants and Contributions	863	779	1	6	864	785	10.1%
General Revenues							
Taxes	16,141	16,204	-	-	16,141	16,204	-0.4%
Casino Gaming Payments	270	266	-	-	270	266	1.5%
Lottery Tickets	326	335	-	-	326	335	-2.7%
Other	153	207	16	13	169	220	-23.2%
Total Revenues	<u>28,159</u>	<u>26,968</u>	<u>3,271</u>	<u>3,433</u>	<u>31,430</u>	<u>30,401</u>	3.4%
EXPENSES							
Legislative	129	140	-	-	129	140	-7.9%
General Government	2,281	2,545	-	-	2,281	2,545	-10.4%
Regulation and Protection	977	968	-	-	977	968	0.9%
Conservation and Development	1,221	1,104	-	-	1,221	1,104	10.6%
Health and Hospital	2,714	2,772	-	-	2,714	2,772	-2.1%
Transportation	1,594	2,238	-	-	1,594	2,238	-28.8%
Human Services	9,470	9,116	-	-	9,470	9,116	3.9%
Education, Libraries, and Museums	5,185	5,315	-	-	5,185	5,315	-2.4%
Corrections	2,211	2,308	-	-	2,211	2,308	-4.2%
Judicial	1,074	1,135	-	-	1,074	1,135	-5.4%
Interest and Fiscal Charges	878	829	-	-	878	829	5.9%
University of Connecticut & Health Center	-	-	2,310	2,255	2,310	2,255	2.4%
Board of Regents	-	-	1,360	1,363	1,360	1,363	-0.2%
Employment Security	-	-	726	686	726	686	5.8%
Clean Water	-	-	36	38	36	38	-5.3%
Other	-	-	66	67	66	67	-1.5%
Total Expenses	<u>27,734</u>	<u>28,470</u>	<u>4,498</u>	<u>4,409</u>	<u>32,232</u>	<u>32,879</u>	-2.0%
Excess (Deficiency) Before Transfers	425	(1,502)	(1,227)	(976)	(802)	(2,478)	
Transfers	(1,667)	(1,746)	1,667	1,746	-	-	
Increase (Decrease) in Net Position	<u>(1,242)</u>	<u>(3,248)</u>	<u>440</u>	<u>770</u>	<u>(802)</u>	<u>(2,478)</u>	
Net Position (Deficit) - Beginning	(44,128)	(40,880)	6,269	5,499	(37,859)	(35,381)	
Net Position (Deficit) - Ending	<u>(45,370)</u>	<u>(44,128)</u>	<u>6,709</u>	<u>6,269</u>	<u>(38,661)</u>	<u>(37,859)</u>	2.1%

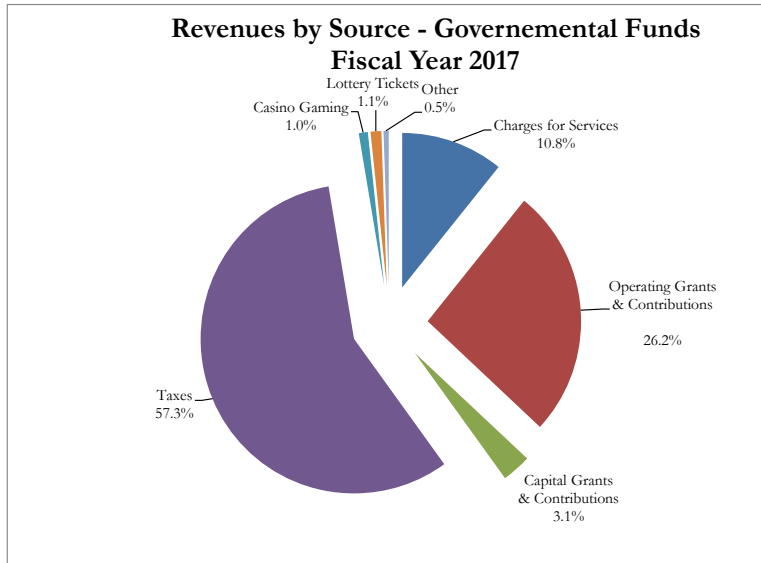
State of Connecticut

Changes in Net Position

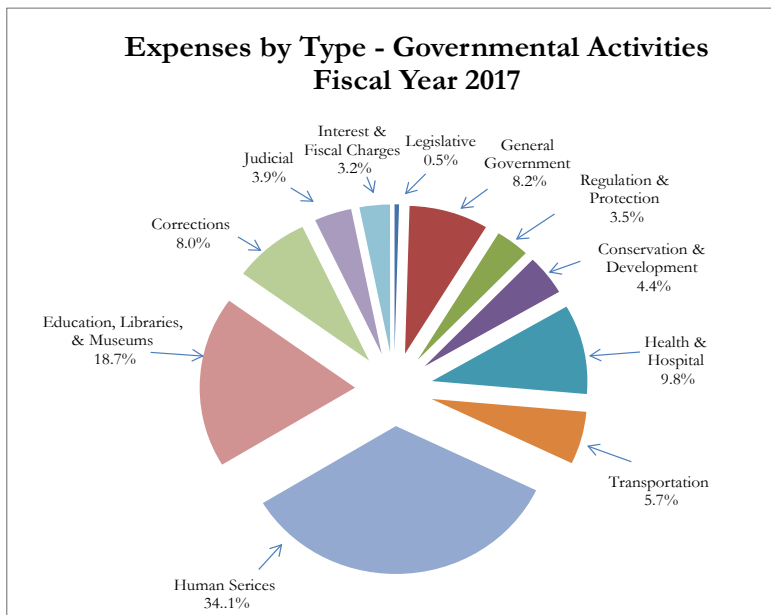
This year the State's governmental activities received 57.3 percent of its revenue from taxes and 29.3 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 60.1 percent and grants and contributions were 29.5 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 10.8 percent of total revenue in fiscal year 2017, compared to 7.4 percent in fiscal year 2016.

Governmental Activities

The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$1.2 billion, or 4.4 percent. This increase is primarily due to an increase of \$1.0 billion from charges for services.



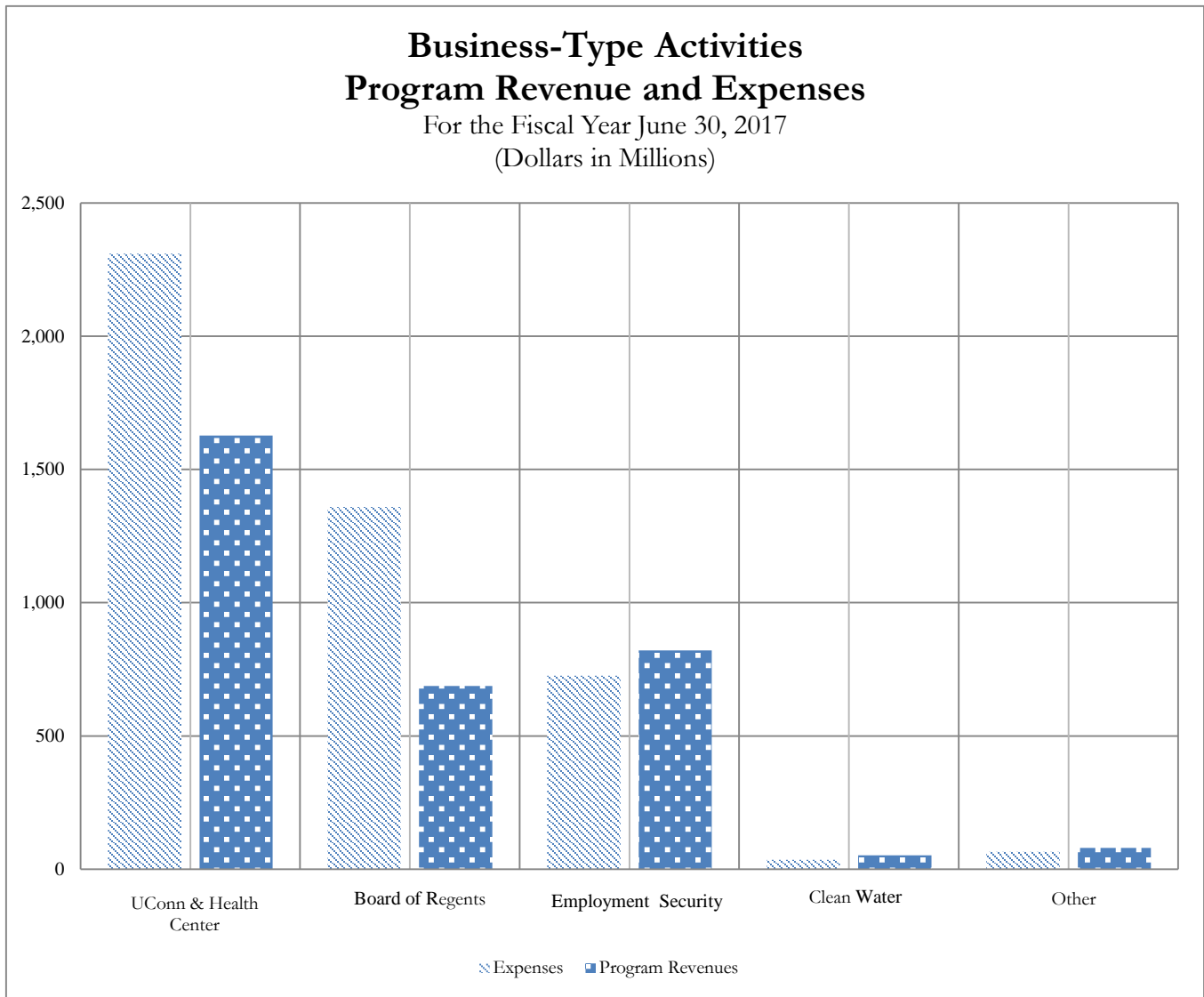
The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by \$736 million, or 2.6 percent. The decrease is mainly attributable to decreased spending in general government.



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Business-Type Activities

Net position of business-type activities increased by \$440 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities decreased 4.7 percent to \$3.3 billion, while total expenses increased 2.0 percent to \$4.5 billion. In comparison, last year total revenues increased 3.0 percent, while total expenses increased 1.3 percent. The increase in total expenses of \$89 million was due mainly to an increase in University of Connecticut and Health Center expenses of \$55 million or 2.4 percent. Although, total expenses exceeded total revenues by \$1.2 billion, this deficiency was reduced by transfers of \$1,667 million, resulting in an increase in net position of \$440 million.

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FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of \$2.9 billion, an increase of \$1.0 billion over the prior year ending fund balances. Of the total governmental fund balances, \$3.2 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$195.6 million represents fund balance that is non-spendable; \$310.0 million represents fund balance that is committed or assigned for specific purposes. A negative \$829.7 million unassigned fund balance offsets these amounts.

General Fund

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance deficit of \$494.4 million, a decrease of \$119.8 million in comparison with the prior year. Of this total fund balance, \$326.7 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of \$821.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Non-spendable fund balance increased by \$1.1 million or 2.0 percent.
- Committed fund balance decreased by \$59.0 million or 17.8 percent. There also was a statutory transfer from the Budget Reserve Fund (Rainy Day Fund) for \$22.7 million, after the transfer the fund ended the year with a balance of \$212.9 million.
- Unassigned fund balance deficit decreased by \$177.7 million.

At the end of fiscal year 2017, General Fund revenues were 1.6 percent, or \$287.1 million, higher than fiscal year 2016 revenues. This change in revenue results from increases of \$456.7 million primarily attributable to federal grants (\$134.9 million), casino gaming payments (\$4.0 million), fines, forfeits, and rents (\$174.0 million), and other revenue (\$143.8 million). These increases were offset by decreases of \$169.6 million primarily attributable to taxes (\$135.4 million), licenses, permits and fees (\$20.6 million), and other revenue (\$13.6 million).

At the end of fiscal year 2017, General Fund expenditures were 1.8 percent, or \$306.1 million, lower than fiscal year 2016. This was primarily attributable to a decrease in health & hospitals of \$532.5 million. Net other financing sources and uses increased by \$48.1 million.

Debt Service Fund

At the end of fiscal year 2017, the Debt Service Fund had a fund balance of \$827.1 million, all of which was restricted, an increase of \$88.9 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$182.1 million at the end of fiscal 2017. Of this amount, \$26.9 million was in non-spendable form and \$155.2 million was restricted or committed for specific purposes. Fund balance decreased by \$29.7 million during the current fiscal year.

At the end of fiscal year 2017, Transportation Fund revenues increased by \$42.9 million, or 3.1 percent, and expenditures decreased by \$24.3 million, or 2.6 percent. The increased revenue is primarily due to an increase in licenses, permits, and fees.

Restricted Grants and Accounts Fund

At the end of fiscal year 2017, the Restricted Grants and Accounts Fund had a fund balance of \$428.1 million, all of which was restricted for specific purposes, an increase of \$230.2 million in comparison with the prior year.

Total revenues were 12.7 percent, or \$855.2 million, higher than in fiscal year 2016. Overall, total expenditures were 10.1 percent, or \$685.2 million, higher than fiscal year 2016.

Grant and Loan Programs

As of June 30, 2017, the Grant and Loan Programs Fund had a fund balance of \$843.3 million, all of which was restricted for specific purposes, an increase of \$153.8 million in comparison with the prior year.

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FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S FIDUCIARY FUNDS

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. The net positions of the State's Fiduciary funds totaled \$34.2 billion, an increase of \$3.3 billion when compared to the prior year ending net position.

Budget Highlights-General Fund

The State budget is formulated during odd-numbered years; the General Assembly generates a two-year (biennial) budget. The process begins with the Executive Branch, when the governor asks the commissioner of each state agency to prepare draft budgets for the following biennium. Over several months the governor's budget office, the Office of Policy and Management (OPM), compiles this information, makes changes as it sees fit, and then works to match the agencies' spending projections with revenue estimates for the same period.

The result referred to as the 'governor's budget,' is delivered to the General Assembly in a formal address by the governor in early February. The annual budget address often includes policy, initiatives, spending proposals, and vehicles through which additional revenue may be generated. In the address, the governor identifies his priorities for the biennium.

Thereafter, the legislature goes through a similar process to determine spending priorities and corresponding revenue requirements. Later in the session, the Appropriations and Finance Committees approve a budget, which is often different from the governor's. Negotiations with the governor's office reconcile the two versions and determine the final budget language and the state's fiscal path for the following two years. Lastly, the budget must be voted on and passed by both the House and Senate and signed into law by the governor.

The General Fund ended Fiscal Year 2017 with a deficit of \$22,696,231. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating deficit of \$45,225,502, which left a positive fund balance of \$97,615,054 at the close of Fiscal Year 2017.

After the transfer to the General Fund, the Budget Reserve Fund has a balance of \$212,886,689. The reserves at the beginning of Fiscal Year 2017 were \$235,582,920.

In evaluating the Fiscal Year 2017 General Fund deficit, some context may be instructive. The revised budget for FY 2017 included appropriation levels that were \$847.2 million lower than the original budget plan for FY 2017, as adopted in Public Act 15-244. The net reductions in the revised budget for FY 2017 were largely driven by underperforming revenue collections as reflected in the April 30, 2016 consensus revenue forecast, the last of FY 2016.

The revised budget for FY 2017 had a negative growth rate of -0.32 percent, comparing the revised appropriations for FY 2017 to actual FY 2016 expenditures. In the end, General Fund FY 2017 expenditures of \$17,763,039,724 came in \$100.9 million below the revised budget plan.

Overall, General Fund expenditures that are classified as fixed costs continued to grow in FY 2017. Fixed costs, as defined by Connecticut General Statutes (CGS) section 2-36(b), include categories such as entitlements, debt service, pension payments and retirement health insurance costs.

Debt service costs, including UCONN 2000 debt, grew by \$103.6 million in FY 2017 compared with the prior year, an increase of 5.7 percent. Retirement health costs rose by \$60.5 million in FY 2017, representing growth of 9.4 percent. Pension contributions, including the State Employee Retirement and Teachers' Retirement Systems, increased by \$64.5 million or 3.1 percent. Medicaid expenditures, the largest line item in the General Fund, grew by only \$16 million in FY 2017, less than one percent over FY 2016.

State of Connecticut

Despite rising fixed costs, year-over-year expenditures declined in FY 2017 by \$158.2 million compared with FY 2016 actuals, a decline of nearly one percent. This was accomplished by more stringent cost controls applied to other types of General Fund spending. Personal services expenditures, the primary appropriation for General Fund employee salaries, decreased by \$155.3 million in FY 2017, a reduction of 6.8 percent. Position reductions in the General Fund also translated into \$32.9 million in lower costs for active employee health insurance and Social Security taxes. Other expenses, which state agencies use for a wide variety of non-salary items, decreased by \$52.4 million, a decline of 10.4 percent. Another notable reduction included General Fund block grants for higher education units, which fell by \$67.5 million or 9.5 percent.

Disappointing revenue performance led to deficit mitigation efforts in the fourth quarter of FY 2017, including allotment reductions and revenue transfers contained in Public Act 17-51. In particular, April tax collections were significantly lower than expected. For the year, Personal Income Tax receipts, the largest single General Fund revenue source, came in \$530.3 million below FY 2017 budget targets and \$193 million below FY 2016 final results. A closer look at the components of the income tax revealed that there was modest growth of 1.3 percent in the withholding portion of receipts compared with the prior year totals. However, despite a rising stock market, the estimated and final payments portion of the income tax came in well below projected levels. Collections for these more volatile components, which are related to capital gains and bonus payments, dropped by 7.8 percent compared with FY 2016. One possible explanation for this trend is that wealthy state residents may be holding off selling assets in anticipation of tax reductions at the Federal level. In addition, investors are relying more heavily on tax efficient vehicles such as Exchange Traded Fund (ETFs), which are designed to minimize taxes on capital gains.

Sales and Use Tax receipts, the second largest General Fund tax category, ended the year \$136.5 million below the budget plan. On a positive note, the Corporations Tax offset some of these revenue shortfalls by coming in \$193.8 million above target in FY 2017. The Inheritance and Estate Tax also over-performed budget projections by \$44.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$19.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was \$1.6 billion.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of \$339.9 million and depreciation expense of \$717.9 million.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets (Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,788	\$ 1,747	\$ 69	\$ 68	\$ 1,857	1,815
Buildings	2,836	2,605	3,385	3,253	6,221	5,858
Improvements Other Than Buildings	127	141	197	184	324	325
Equipment	49	-	344	348	393	348
Infrastructure	5,096	4,613	-	-	5,096	4,613
Construction in Progress	4,988	4,545	877	686	5,865	5,231
Total	<u>\$ 14,884</u>	<u>\$ 13,651</u>	<u>\$ 4,872</u>	<u>\$ 4,539</u>	<u>\$ 19,756</u>	<u>\$ 18,190</u>

Additional information on the State's capital assets can be found in Note 9 of this report.

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Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of \$27.1 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions) General Obligation and Revenue Bonds

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 18,399	\$ 17,395	\$ -	\$ -	\$ 18,399	\$ 17,395
Transportation Related bonds	5,042	4,520	-	-	5,042	4,520
Revenue Bonds	-	-	1,443	1,271	1,443	1,271
Long-Term Notes	177	353	-	-	177	353
Premiums and Deferred Amounts	1,887	1,672	175	12	2,062	1,684
Total	<u>\$ 25,505</u>	<u>\$ 23,940</u>	<u>\$ 1,618</u>	<u>\$ 1,283</u>	<u>\$ 27,123</u>	<u>\$ 25,223</u>

The State's total bonded debt increased by \$1.9 billion (7.5 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of \$1.0 billion.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of July 2017, the State had a debt incurring margin of \$3.6 billion.

Other Long-Term Debt State of Connecticut Other Long - Term Debt (in Millions)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability	\$ 37,192	\$ 27,449	\$ -	\$ -	\$ 37,192	\$ 27,449
Net OPEB Obligation	10,450	9,928	-	-	10,450	9,928
Compensated Absences	513	511	193	190	706	701
Workers Compensation	718	684	-	-	718	684
Other	120	147	327	349	447	496
Total	<u>\$ 48,993</u>	<u>\$ 38,719</u>	<u>\$ 520</u>	<u>\$ 539</u>	<u>\$ 49,513</u>	<u>\$ 39,258</u>

The State's other long-term obligations increased by \$10.3 billion (26.1 percent) during the fiscal year. This increase was due mainly to an increase in the net pension liability (Governmental activities) of \$9.7 billion or 35.5 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

State of Connecticut

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

According to state Department of Labor (DOL) statistics, Connecticut gained 12,200 nonfarm seasonally-adjusted payroll jobs over the course of FY 2017 and had a total of 1,692,800 employed residents as of June 2017. As the fiscal year closed, unemployment stood at 5.0 percent, down one-tenth of a percent from the beginning of the fiscal year. Connecticut had recovered 82.3 percent (98,000 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year.

After mixed results in calendar 2016, the housing market in Connecticut improved during the first six months of 2017. According to Berkshire Hathaway Home Services, sales and prices were up for both single family homes and condominiums in the first quarter of 2017 compared with the same period in 2016. In the second quarter of 2017, Connecticut experienced a 5.7 percent increase in sales volume year-over-year and 9.1 percent decrease in days on the market. Compared with the same period in the prior year, the median price for single family homes increased 3.1 percent and condominiums increased 3.0 percent.

During FY 2017, Connecticut's economy experienced lower levels of growth compared with past recoveries. After advancing at a 2 percent rate in the fourth quarter of 2016, Connecticut's GDP growth slowed to 0.6 percent in the first quarter of 2017, which ranked 37th among all states. Personal income was expanding in Connecticut at an annual rate of just one percent during Fiscal Year 2017. Personal income growth in the second quarter of 2017 was 0.8 percent, which ranked 22nd among U.S. states.

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2016, Connecticut had a per capita personal income (PCPI) of \$69,311. This PCPI ranked 1st in the United States and was 141 percent of the national average of \$49,246. The 2016 PCPI reflected an increase of 1.4 percent from 2015. The 2015-2016 national change was 1.6 percent. In 2006, the PCPI of Connecticut was \$54,191 and ranked 1st in the United States. The 2006-2016 compound annual growth rate of PCPI was 2.5 percent. The compound annual growth rate for the nation was 2.6 percent.

Over the past several decades, the national economy has seen increasing wage disparity between skilled and unskilled workers. Accordingly, Connecticut's high income is partially explained by the educational achievement of its citizens. Almost 22 percent of the state's adult population has a bachelor's degree and nearly 17 percent possess a graduate degree or higher according to the U.S. Census Bureau. This puts Connecticut's national ranking at 8th and 4th respectively in the educational attainment of its adult population.

The state continues to be a leader in technology and innovation within its industries. On a per capita basis, Connecticut ranked 6th among states in research and development spending. The state ranked 8th nationally in patents granted per population. The state's principal industries today produce jet engines and parts, submarines, electronics and electrical machinery, computer equipment, and helicopters, as well as cutting-edge pharmaceuticals (Connecticut ranks 4th in the nation in bioscience patents per capita). Much of Connecticut's manufacturing is for the military.

As in many other states, Connecticut's traditional core sectors are being reshaped by national trends and global competition. Manufacturing's contribution to the state economy as measured by GDP has been cut in half over recent decades. At the end of 1990, total manufacturing payroll employment in the state posted over 290,000 jobs; at the end of 2016, that job total was just over 156,000.

Finance, insurance and real estate (FIRE) is an important industry grouping that in 2016 contributed the highest dollar amount to the state's Real Gross Domestic Product at over one quarter of the total. However, the financial crisis that caused the 2008 recession significantly reduced employment in this sector. Jobs in the financial sector remain approximately 13,000 below the 2008 pre-recession peak. These are some of the highest paying jobs within the state. Over the past ten years in Connecticut, the strongest job gains have been in industries with below average wages. The largest gains have been posted in educational services, health care and social assistance, and accommodation and food services, but wages in these sectors are about 20 percent below the statewide average.

State of Connecticut

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily regaining jobs that were lost to the 2008 recession. There are also indications of pay gains in many sectors. The state's labor force has the 5th highest productivity rate in the country, which should help sustain higher wages into the future. Connecticut can boast of a high quality of life in attracting and retaining businesses. Connecticut has a ranking of 5th among all states in quality of life measures with the 2nd highest median family income, the 3rd highest overall health of residents, and the 7th lowest rate of property crime.

Connecticut surely has challenges ahead in stabilizing its state budget, improving its transportation system and revitalizing its urban centers to accommodate growing preferences for urban living. Our state is well positioned to create a strong economy moving into the future. The state ranked 8th nationally in its readiness for the "New Economy", which measures knowledge jobs, globalization, the digital economy, and innovation capacity among other factors. The stability of future state budgets is dependent on this economic growth. Job growth, wage growth and capital gains have been dependable indicators of state revenue growth and the resulting budget balance.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3352.

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STATEMENTS*

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*GOVERNMENT-WIDE
FINANCIAL
STATEMENTS*

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State of Connecticut

STATEMENT OF NET POSITION

June 30, 2017

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,470,178	\$ 846,008	\$ 2,316,186	\$ 296,688
Deposits with U.S. Treasury	-	482,330	482,330	-
Investments	116,653	77,040	193,693	449,856
Receivables, (Net of Allowances)	2,679,234	646,613	3,325,847	110,001
Due from Primary Government	-	-	-	6,520
Inventories	44,378	12,572	56,950	5,937
Restricted Assets	-	142,418	142,418	1,019,300
Internal Balances	(245,277)	245,277	-	-
Other Current Assets	8,276	25,001	33,277	21,648
Total Current Assets	4,073,442	2,477,259	6,550,701	1,909,950
Noncurrent Assets:				
Cash and Cash Equivalents	-	528,321	528,321	-
Due From Component Units	37,910	-	37,910	-
Investments	-	58,372	58,372	208,037
Receivables, (Net of Allowances)	903,227	999,220	1,902,447	437,300
Restricted Assets	827,125	425,743	1,252,868	4,738,258
Capital Assets, (Net of Accumulated Depreciation)	14,884,431	4,872,356	19,756,787	771,013
Other Noncurrent Assets	83	3,684	3,767	63,507
Total Noncurrent Assets	16,652,776	6,887,696	23,540,472	6,218,115
Total Assets	\$ 20,726,218	\$ 9,364,955	\$ 30,091,173	\$ 8,128,065
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 826	\$ -	\$ 826	\$ 44,569
Unamortized Losses on Bond Refundings	79,122	13,819	92,941	79,527
Related to Pensions	11,103,357	-	11,103,357	84,957
Other Deferred Outflows	-	396	396	55
Total Deferred Outflows of Resources	\$ 11,183,305	\$ 14,215	\$ 11,197,520	\$ 209,108
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 966,482	\$ 392,433	\$ 1,358,915	\$ 108,118
Due to Component Units	6,520	-	6,520	-
Due to Primary Government	-	-	-	37,910
Due to Other Governments	359,059	770	359,829	-
Current Portion of Long-Term Obligations	2,262,093	162,939	2,425,032	193,464
Amount Held for Institutions	-	-	-	216,998
Unearned Revenue	22,312	41,270	63,582	-
Medicaid Liability	632,473	-	632,473	-
Liability for Escheated Property	387,182	-	387,182	-
Other Current Liabilities	80,079	93,580	173,659	62,253
Total Current Liabilities	4,716,200	690,992	5,407,192	618,743
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	72,235,501	1,975,649	74,211,150	5,289,968
Total Noncurrent Liabilities	72,235,501	1,975,649	74,211,150	5,289,968
Total Liabilities	\$ 76,951,701	\$ 2,666,641	\$ 79,618,342	\$ 5,908,711
Deferred Inflows of Resources				
Related to Pensions	\$ 327,673	\$ -	\$ 327,673	\$ 27,766
Other Deferred Inflows	-	3,338	3,338	2,000
Total Deferred Inflows of Resources	\$ 327,673	\$ 3,338	\$ 331,011	\$ 29,766
Net Position				
Net Investment in Capital Assets	\$ 4,568,371	\$ 4,126,277	\$ 8,694,648	\$ 458,330
Restricted For:				
Transportation	83,834	-	83,834	-
Debt Service	754,529	4,508	759,037	7,664
Federal Grants and Other Accounts	421,152	-	421,152	-
Capital Projects	504,776	126,207	630,983	114,613
Grant and Loan Programs	849,411	-	849,411	-
Clean Water and Drinking Water Projects	-	729,809	729,809	-
Bond Indenture Requirements	-	-	-	865,197
Loans	-	2,565	2,565	-
Permanent Investments or Endowments:				
Expendable	-	-	-	99,232
Nonexpendable	112,934	14,970	127,904	436,911
Other Purposes	161,273	139,870	301,143	108,481
Unrestricted (Deficit)	(52,826,131)	1,564,985	(51,261,146)	308,268
Total Net Position (Deficit)	\$ (45,369,851)	\$ 6,709,191	\$ (38,660,660)	\$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services, Fees, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 128,659	\$ 4,144	\$ 23	\$ -
General Government	2,281,216	975,905	67,300	-
Regulation and Protection	976,521	860,719	164,789	-
Conservation and Development	1,220,870	79,620	136,339	-
Health and Hospitals	2,713,513	618,482	192,261	-
Transportation	1,593,860	90,663	-	863,002
Human Services	9,470,826	220,670	6,031,992	-
Education, Libraries, and Museums	5,185,450	43,041	620,684	-
Corrections	2,211,201	11,118	137,914	-
Judicial	1,073,970	133,588	16,580	-
Interest and Fiscal Charges	877,822	-	-	-
Total Governmental Activities	<u>27,733,908</u>	<u>3,037,950</u>	<u>7,367,882</u>	<u>863,002</u>
Business-Type Activities:				
University of Connecticut & Health Center	2,310,348	1,355,686	267,290	1,388
Board of Regents	1,360,029	628,345	58,038	-
Employment Security	725,609	799,630	21,424	-
Clean Water	36,234	35,800	8,921	-
Other	66,328	67,202	11,614	-
Total Business-Type Activities	<u>4,498,548</u>	<u>2,886,663</u>	<u>367,287</u>	<u>1,388</u>
Total Primary Government	<u>\$ 32,232,456</u>	<u>\$ 5,924,613</u>	<u>\$ 7,735,169</u>	<u>\$ 864,390</u>
Component Units				
Connecticut Housing Finance Authority (12/31/16)	\$ 204,781	\$ 169,992	\$ -	\$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	<u>\$ 1,801,491</u>	<u>\$ 1,762,962</u>	<u>\$ 45</u>	<u>\$ 10,269</u>
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Lottery Tickets				
Unrestricted Investment Earnings				
Transfers-Internal Activities				
Total General Revenues, Contributions, and Transfers				
Change in Net Position				
Net Position (Deficit)- Beginning (as restated)				
Net Position (Deficit)- Ending				

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

Net (Expense) Revenue and Changes in Net Position

		Primary Government					
Governmental Activities	Business-Type Activities	Total	Component Units				
\$	(124,492)	\$	-	\$	(124,492)	\$	-
	(1,238,011)		-		(1,238,011)		-
	48,987		-		48,987		-
	(1,004,911)		-		(1,004,911)		-
	(1,902,770)		-		(1,902,770)		-
	(640,195)		-		(640,195)		-
	(3,218,164)		-		(3,218,164)		-
	(4,521,725)		-		(4,521,725)		-
	(2,062,169)		-		(2,062,169)		-
	(923,802)		-		(923,802)		-
	(877,822)		-		(877,822)		-
	<u>(16,465,074)</u>		<u>-</u>		<u>(16,465,074)</u>		<u>-</u>
	-		(685,984)		(685,984)		-
	-		(673,646)		(673,646)		-
	-		95,445		95,445		-
	-		8,487		8,487		-
	-		12,488		12,488		-
	-		<u>(1,243,210)</u>		<u>(1,243,210)</u>		<u>-</u>
	<u>(16,465,074)</u>		<u>(1,243,210)</u>		<u>(17,708,284)</u>		<u>-</u>
	-		-		-		(34,789)
	-		-		-		(5,227)
	-		-		-		24,384
	-		-		-		<u>(12,583)</u>
	-		-		-		<u>(28,215)</u>
	8,065,612		-		8,065,612		-
	828,100		-		828,100		-
	4,226,788		-		4,226,788		-
	2,022,836		-		2,022,836		-
	907,641		-		907,641		-
	90,199		-		90,199		-
	269,906		-		269,906		-
	123,360		-		123,360		-
	326,415		-		326,415		-
	29,061		16,357		45,418		74,472
	<u>(1,666,956)</u>		<u>1,666,956</u>		<u>-</u>		<u>-</u>
	<u>15,222,962</u>		<u>1,683,313</u>		<u>16,906,275</u>		<u>74,472</u>
	(1,242,112)		440,103		(802,009)		46,257
	<u>(44,127,739)</u>		<u>6,269,088</u>		<u>(37,858,651)</u>		<u>2,352,439</u>
\$	<u>(45,369,851)</u>	\$	<u>6,709,191</u>	\$	<u>(38,660,660)</u>	\$	<u>2,398,696</u>

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FUND FINANCIAL STATEMENTS

State of Connecticut

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ 39,579	\$ 439,477	\$ 292,646	\$ 686,428	\$ 1,458,130
Investments	-	-	-	-	-	116,653	116,653
Securities Lending Collateral	-	-	-	-	-	8,094	8,094
Receivables:							
Taxes, Net of Allowances	1,380,503	-	139,358	-	-	-	1,519,861
Accounts, Net of Allowances	423,986	-	19,530	138,160	6,531	74,305	662,512
Loans, Net of Allowances	3,419	-	-	46,686	557,203	295,919	903,227
From Other Governments	21,853	-	-	464,033	-	8,822	494,708
Interest	-	1,419	236	-	-	-	1,655
Other	-	-	-	-	-	13	13
Due from Other Funds	43,672	-	1,419	270	5	279,441	324,807
Due from Component Units	36,918	-	-	992	-	-	37,910
Inventories	13,255	-	26,906	-	-	-	40,161
Restricted Assets	-	827,125	-	-	-	-	827,125
Total Assets	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 350,217	\$ -	\$ 31,042	\$ 236,945	\$ 6,650	\$ 95,425	\$ 720,279
Due to Other Funds	356,302	1,419	-	3,360	31	204,905	566,017
Due to Component Units	-	-	-	6,520	-	-	6,520
Due to Other Governments	357,717	-	-	1,342	-	-	359,059
Unearned Revenue	10,263	-	-	-	-	12,049	22,312
Medicaid Liability	256,355	-	-	376,118	-	-	632,473
Liability For Escheated Property	387,182	-	-	-	-	-	387,182
Securities Lending Obligation	-	-	-	-	-	8,094	8,094
Other Liabilities	50,302	-	-	21,683	-	-	71,985
Total Liabilities	<u>1,768,338</u>	<u>1,419</u>	<u>31,042</u>	<u>645,968</u>	<u>6,681</u>	<u>320,473</u>	<u>2,773,921</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	649,686	-	13,835	15,586	6,449	71,982	757,538
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	53,592	-	26,906	-	-	-	80,498
Permanent Fund Principal	-	-	-	-	-	115,072	115,072
Restricted For:							
Debt Service	-	827,125	-	-	-	-	827,125
Transportation Programs	-	-	124,856	-	-	-	124,856
Federal Grant and State Programs	-	-	-	428,064	-	-	428,064
Grants and Loans	-	-	-	-	841,956	-	841,956
Other	-	-	-	-	-	965,495	965,495
Committed For:							
Continuing Appropriations	60,237	-	30,389	-	-	-	90,626
Budget Reserve Fund	212,887	-	-	-	-	-	212,887
Assigned To:							
Grants and Loans	-	-	-	-	1,299	-	1,299
Other	-	-	-	-	-	5,207	5,207
Unassigned	(821,134)	-	-	-	-	(8,554)	(829,688)
Total Fund Balances	<u>(494,418)</u>	<u>827,125</u>	<u>182,151</u>	<u>428,064</u>	<u>843,255</u>	<u>1,077,220</u>	<u>2,863,397</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 2,863,397

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 9). These consist of:

Cost of capital assets (excluding internal service funds)	29,942,437	
Less: Accumulated depreciation (excluding internal service funds)	<u>(15,106,922)</u>	
Net capital assets		14,835,515

Some assets such as receivables, are not available soon enough to pay for current current period's expenditures and thus, are offset by unavailable revenue in the governmental fund 757,538

Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds. 79,122

Deferred outflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 10). 11,103,357

Long-term debt instruments such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 16). Also, unamortized debt premiums and interest payable are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:

General obligation bonds payable	(18,398,554)	
Transportation bonds payable	(5,041,840)	
Notes payable	(177,120)	
Unamortized premiums	(1,887,084)	
Accrued interest payable	<u>(239,917)</u>	
Net long-term debt		(25,744,515)

Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).

Net pension liability	(37,192,071)	
Net OPEB obligation	(10,450,182)	
Obligations for worker's compensation	(718,016)	
Capital leases payable	(30,900)	
Compensated absences (excluding internal service funds)	(511,386)	
Claims and judgments payable	(51,163)	
Landfill postclosure care	<u>(36,297)</u>	
Total other liabilities		(48,990,015)

Deferred inflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 11).

Pension related		(327,673)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

	53,423
Total Net Position - Governmental Activities	<u><u>\$ (45,369,851)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	\$ 15,081,933	\$ -	\$ 997,102	\$ 2	\$ -	\$ -	\$ 16,079,037
Licenses, Permits, and Fees	272,860	-	331,109	5,239	-	88,002	697,210
Tobacco Settlement	-	-	-	-	-	123,360	123,360
Federal Grants and Aid	1,992,063	-	12,168	6,158,944	-	67,709	8,230,884
State Grants and Aid	-	-	-	-	-	-	-
Lottery Tickets	326,415	-	-	-	-	-	326,415
Charges for Services	39,146	-	64,403	-	-	1,071	104,620
Fines, Forfeits, and Rents	188,171	-	19,777	-	-	1,000	208,948
Casino Gaming Payments	269,906	-	-	-	-	-	269,906
Investment Earnings	2,332	5,670	3,001	1,406	6,523	10,129	29,061
Interest on Loans	-	-	-	-	-	26	26
Miscellaneous	328,989	34	9,214	1,445,304	25,114	148,234	1,956,889
Total Revenues	<u>18,501,815</u>	<u>5,704</u>	<u>1,436,774</u>	<u>7,610,895</u>	<u>31,637</u>	<u>439,531</u>	<u>28,026,356</u>
Expenditures							
Current:							
Legislative	114,809	-	-	3,512	-	24	118,345
General Government	1,047,920	-	4,583	243,776	541,834	274,813	2,112,926
Regulation and Protection	441,687	-	108,074	162,863	13,919	173,966	900,509
Conservation and Development	245,635	-	4,548	370,448	346,383	162,843	1,129,857
Health and Hospitals	1,696,573	-	-	797,531	79,303	44,712	2,618,119
Transportation	-	-	800,933	746,400	26,441	-	1,573,774
Human Services	4,402,146	-	2,371	4,371,066	2,747	3,552	8,781,882
Education, Libraries, and Museums	4,194,885	-	-	581,632	22,757	2,856	4,802,130
Corrections	2,018,674	-	-	22,497	1,550	2,103	2,044,824
Judicial	918,746	-	-	24,356	-	49,331	992,433
Capital Projects	-	-	-	-	-	998,917	998,917
Debt Service:							
Principal Retirement	1,466,316	270,550	530	-	-	-	1,737,396
Interest and Fiscal Charges	590,212	232,842	627	175,560	3,167	7,377	1,009,785
Total Expenditures	<u>17,137,603</u>	<u>503,392</u>	<u>921,666</u>	<u>7,499,641</u>	<u>1,038,101</u>	<u>1,720,494</u>	<u>28,820,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,364,212</u>	<u>(497,688)</u>	<u>515,108</u>	<u>111,254</u>	<u>(1,006,464)</u>	<u>(1,280,963)</u>	<u>(794,541)</u>
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,159,573	1,951,627	3,111,200
Premiums on Bonds Issued	-	60,565	-	-	95,248	271,511	427,324
Transfers In	393,645	592,966	6,430	177,420	-	259,864	1,430,325
Transfers Out	(1,640,595)	(7,294)	(548,532)	(58,494)	(94,549)	(745,567)	(3,095,031)
Refunding Bonds Issued	-	761,545	-	-	-	-	761,545
Payment to Refunded Bond Escrow Agent	(499)	(821,209)	-	-	-	-	(821,708)
Capital Lease Obligations	4,174	-	-	-	-	-	4,174
Total Other Financing Sources (Uses)	<u>(1,243,275)</u>	<u>586,573</u>	<u>(542,102)</u>	<u>118,926</u>	<u>1,160,272</u>	<u>1,737,435</u>	<u>1,817,829</u>
Net Change in Fund Balances	<u>120,937</u>	<u>88,885</u>	<u>(26,994)</u>	<u>230,180</u>	<u>153,808</u>	<u>456,472</u>	<u>1,023,288</u>
Fund Balances (Deficit) - Beginning	(614,189)	738,240	211,890	197,884	689,447	620,748	1,844,020
Change in Reserve for Inventories	(1,166)	-	(2,745)	-	-	-	(3,911)
Fund Balances (Deficit) - Ending	<u>\$ (494,418)</u>	<u>\$ 827,125</u>	<u>\$ 182,151</u>	<u>\$ 428,064</u>	<u>\$ 843,255</u>	<u>\$ 1,077,220</u>	<u>\$ 2,863,397</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 1,023,288

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of

Debt issued or incurred:			
Bonds issued	(3,111,200)		
Refunding bonds issued	(761,545)		
Premium on bonds issued	(427,324)		
Principal repayment:			
Principal Retirement	1,736,668		
Payments to refunded bond escrow agent	821,708		
Capital lease payments	5,788		
Net debt adjustments			(1,735,905)

Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities

(4,346)

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:

Capital outlays (including construction-in-progress)	1,930,500		
Depreciation expense (excluding internal service funds)	(709,388)		
Retirements	(36,131)		
Net capital outlay adjustments			1,184,981

Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.

(3,911)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not recognized in the funds. In the current period, the net adjustments consist of:

Increase in accrued interest	(33,374)		
Increase in interest accreted on capital appreciation debt	(17,945)		
Amortization of bond premium	195,037		
Amortization of loss on debt refundings	(17,676)		
Increase in Net OPEB obligation	(522,231)		
Increase in compensated absences	(1,528)		
Increase in workers compensation	(33,615)		
Decrease in claims and judgments	11,686		
Decrease in landfill postclosure cost	13,136		
Increase in pension liability	(9,732,099)		
Increase in deferred outflows related to pensions	8,219,049		
Increase in employer contributions subsequent to the NPL measurement date	81,476		
Net expense accruals			(1,838,084)

Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.

132,396

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities.

(531)

Change in net position - governmental activities \$ (1,242,112)

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 472,988	\$ 317,861	\$ 2,200	\$ 4,651	\$ 48,308	\$ 846,008	\$ 12,048
Deposits with U.S. Treasury	-	-	482,330	-	-	482,330	-
Investments	660	76,380	-	-	-	77,040	-
Receivables:							
Accounts, Net of Allowances	143,250	35,836	187,659	-	7,971	374,716	106
Loans, Net of Allowances	2,293	3,627	-	232,648	18,346	256,914	-
Interest	-	-	-	6,372	251	6,623	-
From Other Governments	-	2,654	5,103	-	603	8,360	-
Due from Other Funds	126,793	143,069	856	-	-	270,718	4,980
Inventories	12,572	-	-	-	-	12,572	4,217
Restricted Assets	142,418	-	-	-	-	142,418	-
Other Current Assets	16,718	8,258	-	-	25	25,001	182
Total Current Assets	<u>917,692</u>	<u>587,685</u>	<u>678,148</u>	<u>243,671</u>	<u>75,504</u>	<u>2,502,700</u>	<u>21,533</u>
Noncurrent Assets:							
Cash and Cash Equivalents	-	141,185	-	300,752	86,384	528,321	-
Investments	15,045	34,456	-	8,871	-	58,372	-
Receivables:							
Loans, Net of Allowances	10,591	8,112	-	850,707	129,810	999,220	-
Restricted Assets	1,199	-	-	329,691	94,853	425,743	-
Capital Assets, Net of Accumulated Depreciation	2,934,513	1,913,030	-	-	24,813	4,872,356	48,916
Other Noncurrent Assets	2,981	414	-	-	289	3,684	83
Total Noncurrent Assets	<u>2,964,329</u>	<u>2,097,197</u>	<u>-</u>	<u>1,490,021</u>	<u>336,149</u>	<u>6,887,696</u>	<u>48,999</u>
Total Assets	<u>\$ 3,882,021</u>	<u>\$ 2,684,882</u>	<u>\$ 678,148</u>	<u>\$ 1,733,692</u>	<u>\$ 411,653</u>	<u>\$ 9,390,396</u>	<u>\$ 70,532</u>
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	\$ 4,431	\$ -	\$ -	\$ 9,186	\$ 202	\$ 13,819	\$ -
Other Deferred Outflows	-	396	-	-	-	396	-
Total Deferred Outflows of Resources	<u>\$ 4,431</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 9,186</u>	<u>\$ 202</u>	<u>\$ 14,215</u>	<u>\$ -</u>
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 250,411	\$ 117,588	\$ 2,432	\$ 10,478	\$ 11,524	\$ 392,433	\$ 2,023
Due to Other Funds	20,904	4,098	439	-	-	25,441	12,931
Due to Other Governments	-	-	770	-	-	770	-
Current Portion of Long-Term Obligations	70,684	28,259	-	53,891	10,105	162,939	89
Unearned Revenue	-	41,270	-	-	-	41,270	-
Other Current Liabilities	85,417	8,163	-	-	-	93,580	-
Total Current Liabilities	<u>427,416</u>	<u>199,378</u>	<u>3,641</u>	<u>64,369</u>	<u>21,629</u>	<u>716,433</u>	<u>15,043</u>
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Noncurrent Liabilities	<u>428,201</u>	<u>442,197</u>	<u>-</u>	<u>920,450</u>	<u>184,801</u>	<u>1,975,649</u>	<u>2,066</u>
Total Liabilities	<u>\$ 855,617</u>	<u>\$ 641,575</u>	<u>\$ 3,641</u>	<u>\$ 984,819</u>	<u>\$ 206,430</u>	<u>\$ 2,692,082</u>	<u>\$ 17,109</u>
Deferred Inflows of Resources							
Other Deferred Inflows	\$ 3,338	\$ -	\$ -	\$ -	\$ -	\$ 3,338	\$ -
Total Deferred Inflows of Resources	<u>\$ 3,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,338</u>	<u>\$ -</u>
Net Position (Deficit)							
Net Investment in Capital Assets	\$ 2,380,794	\$ 1,748,685	\$ -	\$ -	\$ (3,202)	\$ 4,126,277	\$ 48,998
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	577,031	152,778	729,809	-
Capital Projects	126,207	-	-	-	-	126,207	-
Nonexpendable Purposes	14,483	487	-	-	-	14,970	-
Loans	2,565	-	-	-	-	2,565	-
Other Purposes	34,119	105,751	-	-	-	139,870	-
Unrestricted (Deficit)	469,329	188,780	674,507	181,028	51,341	1,564,985	4,425
Total Net Position	<u>\$ 3,027,497</u>	<u>\$ 2,043,703</u>	<u>\$ 674,507</u>	<u>\$ 758,059</u>	<u>\$ 205,425</u>	<u>\$ 6,709,191</u>	<u>\$ 53,423</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities					Governmental Activities	
	Enterprise Funds						Internal Service Funds
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds		
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts \$231,420)	\$ 1,158,573	\$ 483,777	\$ -	\$ -	\$ 27,211	\$ 1,669,561	\$ 53,578
Assessments	-	-	784,745	-	36,299	821,044	-
Federal Grants, Contracts, and Other Aid	184,334	22,560	7,539	-	-	214,433	-
State Grants, Contracts, and Other Aid	25,942	26,211	13,885	-	-	66,038	-
Private Gifts and Grants	57,014	9,267	-	-	-	66,281	-
Interest on Loans	-	-	-	23,361	2,944	26,305	-
Other	103,033	27,143	14,885	-	748	145,809	109
Total Operating Revenues	<u>1,528,896</u>	<u>568,958</u>	<u>821,054</u>	<u>23,361</u>	<u>67,202</u>	<u>3,009,471</u>	<u>53,687</u>
Operating Expenses							
Salaries, Wages, and Administrative	2,086,905	1,222,393	-	579	19,666	3,329,543	34,056
Unemployment Compensation	-	-	725,609	-	-	725,609	-
Claims Paid	-	-	-	-	26,216	26,216	-
Depreciation and Amortization	156,853	95,409	-	-	1,127	253,389	17,890
Other	56,376	31,048	-	-	1,744	89,168	-
Total Operating Expenses	<u>2,300,134</u>	<u>1,348,850</u>	<u>725,609</u>	<u>579</u>	<u>48,753</u>	<u>4,423,925</u>	<u>51,946</u>
Operating Income (Loss)	<u>(771,238)</u>	<u>(779,892)</u>	<u>95,445</u>	<u>22,782</u>	<u>18,449</u>	<u>(1,414,454)</u>	<u>1,741</u>
Nonoperating Revenue (Expenses)							
Interest and Investment Income	3,100	3,852	-	8,097	1,308	16,357	440
Interest and Fiscal Charges	(10,214)	(11,179)	-	(35,655)	(5,870)	(62,918)	-
Other - Net	94,080	117,425	-	12,439	(11,705)	212,239	(462)
Total Nonoperating Revenues (Expenses)	<u>86,966</u>	<u>110,098</u>	<u>-</u>	<u>(15,119)</u>	<u>(16,267)</u>	<u>165,678</u>	<u>(22)</u>
Income (Loss) Before Capital Contributions, Grants, and Transfers	<u>(684,272)</u>	<u>(669,794)</u>	<u>95,445</u>	<u>7,663</u>	<u>2,182</u>	<u>(1,248,776)</u>	<u>1,719</u>
Capital Contributions	1,388	-	-	-	-	1,388	-
Federal Capitalization Grants	-	-	-	8,921	11,614	20,535	-
Transfers In	1,002,324	674,660	-	674	-	1,677,658	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Change in Net Position	319,440	4,866	85,269	17,258	13,270	440,103	(531)
Total Net Position (Deficit) - Beginning	2,708,057	2,038,837	589,238	740,801	192,155	6,269,088	53,954
Total Net Position (Deficit) - Ending	<u>\$ 3,027,497</u>	<u>\$ 2,043,703</u>	<u>\$ 674,507</u>	<u>\$ 758,059</u>	<u>\$ 205,425</u>	<u>\$ 6,709,191</u>	<u>\$ 53,423</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other	Totals	Internal Service Funds
Cash Flows from Operating Activities							
Receipts from Customers	\$ 1,167,664	\$ 473,693	\$ 796,894	\$102,726	\$76,068	\$ 2,617,045	\$ 53,931
Payments to Suppliers	(644,599)	(279,864)	-	-	(7,933)	(932,396)	(30,241)
Payments to Employees	(1,450,375)	(911,507)	-	(532)	(12,806)	(2,375,220)	(10,573)
Other Receipts (Payments)	392,898	45,340	(787,855)	(115,470)	(52,643)	(517,730)	138
Net Cash Provided by (Used in) Operating Activities	(534,412)	(672,338)	9,039	(13,276)	2,686	(1,208,301)	13,255
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	27,479	-	-	363,345	49,503	440,327	-
Retirement of Bonds and Annuities Payable	-	-	-	(61,232)	(9,233)	(70,465)	-
Interest on Bonds and Annuities Payable	-	-	-	(32,628)	(6,121)	(38,749)	-
Transfers In	511,205	574,562	-	674	-	1,086,441	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Other Receipts (Payments)	28,227	127,359	(9,122)	(123,126)	(3,401)	19,937	(462)
Net Cash Flows from Noncapital Financing Activities	566,911	701,921	(19,298)	147,033	30,222	1,426,789	(2,712)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(455,704)	(68,154)	-	-	-	(523,858)	(11,437)
Proceeds from Capital Debt	322,521	82,293	-	-	-	404,814	-
Principal Paid on Capital Debt	(90,618)	(7,493)	-	-	-	(98,111)	-
Interest Paid on Capital Debt	(50,552)	(13,467)	-	-	-	(64,019)	-
Transfer In	225,603	148,618	-	-	-	374,221	-
Federal Grant	-	-	-	8,921	(93)	8,828	-
Other Receipts (Payments)	54,191	(104,458)	-	-	11,000	(39,267)	-
Net Cash Flows from Capital and Related Financing Activities	5,441	37,339	-	8,921	10,907	62,608	(11,437)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	78,300	-	-	-	78,300	-
Purchase of Investment Securities	(1,171)	(124,355)	-	-	-	(125,526)	-
Interest on Investments	2,559	3,581	8,432	8,484	1,315	24,371	440
(Increase) Decrease in Restricted Assets	-	-	-	(130,586)	-	(130,586)	-
Other Receipts (Payments)	-	-	-	(22,557)	(44,399)	(66,956)	-
Net Cash Flows from Investing Activities	1,388	(42,474)	8,432	(144,659)	(43,084)	(220,397)	440
Net Increase (Decrease) in Cash and Cash Equivalents	39,328	24,448	(1,827)	(1,981)	731	60,699	(454)
Cash and Cash Equivalents - Beginning of Year	577,277	434,598	4,027	6,632	47,577	1,070,111	12,502
Cash and Cash Equivalents - End of Year	\$ 616,605	\$ 459,046	\$ 2,200	\$ 4,651	\$48,308	\$ 1,130,810	\$ 12,048
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	\$ (771,238)	\$ (779,892)	\$ 95,445	\$ 22,782	\$18,449	\$ (1,414,454)	\$ 1,741
Adjustments not Affecting Cash:							
Depreciation and Amortization	208,786	94,688	-	-	1,127	304,601	17,890
Other	124,703	(7,290)	-	-	-	117,413	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(331)	664	(91,610)	(36,058)	(243)	(127,578)	153
(Increase) Decrease in Due from Other Funds	-	571	3,590	-	-	4,161	200
(Increase) Decrease in Inventories and Other Assets	(1,989)	(1,019)	-	-	(16,040)	(19,048)	29
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(94,343)	19,940	1,756	-	(607)	(73,254)	(6,758)
Increase (Decrease) in Due to Other Funds	-	-	(142)	-	-	(142)	-
Total Adjustments	236,826	107,554	(86,406)	(36,058)	(15,763)	206,153	11,514
Net Cash Provided by (Used In) Operating Activities	\$ (534,412)	\$ (672,338)	\$ 9,039	\$ (13,276)	\$ 2,686	\$ (1,208,301)	\$ 13,255
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets							
Cash and Cash Equivalents - Current	\$ 472,988	\$ 317,861					
Cash and Cash Equivalents - Noncurrent	-	141,185					
Cash and Cash Equivalents - Restricted	143,617	-					
	\$ 616,605	\$ 459,046					
Noncash Investing, Capital, and Financing Activities:							
Proceeds from refunding bonds	\$ 36,960	\$ -					
Amortization of Premiums, Discounts, and net loss on debt refunding's	13,018	-					
Mortgage Proceeds held by Trustee in construction escrow	2,315	-					
Accruals of expenses related to construction in progress	164	5,253					
Equipment acquired by capital lease	2,492	955					
	\$ 54,949	\$ 6,208					

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2017

(Expressed in Thousands)

	<u>Pension & Other Employee Benefit Trust Funds</u>	<u>Investment Trust Fund External Investment Pool</u>	<u>Private- Purpose Trust Fund Escheat Securities</u>	<u>Agency Funds</u>	<u>Total</u>
Assets					
Current:					
Cash and Cash Equivalents	\$ 85,835	\$ -	\$ -	\$ 198,844	\$ 284,679
Receivables:					
Accounts, Net of Allowances	49,150	-	-	10,388	59,538
From Other Governments	580	-	-	-	580
From Other Funds	2,004	-	-	4,149	6,153
Interest	3,017	949	-	69	4,035
Investments (See Note 3)	32,432,137	1,382,076	-	-	33,814,213
Securities Lending Collateral	2,012,619	-	-	-	2,012,619
Other Assets	-	65	1,829	331,635	333,529
Noncurrent:					
Due From Employers	273,875	-	-	-	273,875
Total Assets	<u>\$ 34,859,217</u>	<u>\$ 1,383,090</u>	<u>\$ 1,829</u>	<u>\$ 545,085</u>	<u>\$ 36,789,221</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 49,243	\$ 980	\$ -	\$ 56,589	106,812
Securities Lending Obligation	2,012,619	-	-	-	2,012,619
Due to Other Funds	1,890	-	-	379	2,269
Funds Held for Others	-	-	-	488,117	488,117
Total Liabilities	<u>\$ 2,063,752</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 545,085</u>	<u>\$ 2,609,817</u>
Net Position					
Restricted for:					
Pension Benefits	\$ 32,157,234	\$ -	\$ -	-	\$ 32,157,234
Other Postemployment Benefits	638,230	-	-	-	638,230
Pool Participants	-	1,382,110	-	-	1,382,110
Individuals, Organizations, and Other Governments	-	-	1,829	-	1,829
Total Net Position	<u>\$ 32,795,464</u>	<u>\$ 1,382,110</u>	<u>\$ 1,829</u>	<u>\$ -</u>	<u>\$ 34,179,403</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private- Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	\$ 674,496	\$ -	\$ -	\$ 674,496
State	3,260,947	-	-	3,260,947
Municipalities	70,452	-	-	70,452
Total Contributions	<u>4,005,895</u>	<u>-</u>	<u>-</u>	<u>4,005,895</u>
Investment Income	4,182,031	154,758	-	4,336,789
Less: Investment Expense	(95,067)	(7,015)	-	(102,082)
Net Investment Income	<u>4,086,964</u>	<u>147,743</u>	<u>-</u>	<u>4,234,707</u>
Escheat Securities Received	-	-	31,141	31,141
Pool's Share Transactions	-	4,636	-	4,636
Other	3,716	-	-	3,716
Total Additions	<u>8,096,575</u>	<u>152,379</u>	<u>31,141</u>	<u>8,280,095</u>
Deductions				
Administrative Expense	6,358	-	-	6,358
Benefit Payments and Refunds	4,775,482	-	-	4,775,482
Escheat Securities Returned or Sold	-	-	28,946	28,946
Distributions to Pool Participants	-	147,743	-	147,743
Other	597	-	4,132	4,729
Total Deductions	<u>4,782,437</u>	<u>147,743</u>	<u>33,078</u>	<u>4,963,258</u>
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	3,314,138	-	-	3,314,138
Individuals, Organizations, and Other Governments	-	4,636	(1,937)	2,699
Net Position - Beginning	<u>29,481,326</u>	<u>1,377,474</u>	<u>3,766</u>	<u>30,862,566</u>
Net Position - Ending	<u>\$ 32,795,464</u>	<u>\$ 1,382,110</u>	<u>\$ 1,829</u>	<u>\$ 34,179,403</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2017

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 19,245	\$ 95,829	\$ 181,614	\$ 296,688
Investments	-	5,651	-	444,205	449,856
Receivables:					
Accounts, Net of Allowances	-	27,354	7,654	41,023	76,031
Loans, Net of Allowances	-	-	-	25,891	25,891
Other	-	1,458	-	1,203	2,661
Due From Other Governments	-	-	5,418	-	5,418
Due From Primary Government	-	-	6,417	103	6,520
Restricted Assets	717,075	-	3,215	299,010	1,019,300
Inventories	-	-	-	5,937	5,937
Other Current Assets	-	4,646	-	17,002	21,648
Total Current Assets	<u>717,075</u>	<u>58,354</u>	<u>118,533</u>	<u>1,015,988</u>	<u>1,909,950</u>
Noncurrent Assets:					
Investments	-	119,050	-	88,987	208,037
Accounts, Net of Allowances	-	-	-	34,335	34,335
Loans, Net of Allowances	-	-	-	402,965	402,965
Restricted Assets	4,525,032	-	121,164	92,062	4,738,258
Capital Assets, Net of Accumulated Depreciation	3,567	865	318,957	447,624	771,013
Other Noncurrent Assets	-	6,680	-	56,827	63,507
Total Noncurrent Assets	<u>4,528,599</u>	<u>126,595</u>	<u>440,121</u>	<u>1,122,800</u>	<u>6,218,115</u>
Total Assets	<u>\$ 5,245,674</u>	<u>\$ 184,949</u>	<u>\$ 558,654</u>	<u>\$ 2,138,788</u>	<u>\$ 8,128,065</u>
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 28,305	\$ -	\$ 16,264	\$ -	\$ 44,569
Unamortized Losses on Bond Refundings	77,774	-	1,753	-	79,527
Related to Pensions	25,240	17,674	22,777	19,266	84,957
Other	-	-	-	55	55
Total Deferred Outflows of Resources	<u>\$ 131,319</u>	<u>\$ 17,674</u>	<u>\$ 40,794</u>	<u>\$ 19,321</u>	<u>\$ 209,108</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 23,252	\$ 9,400	\$ 16,587	\$ 58,879	\$ 108,118
Current Portion of Long-Term Obligations	162,942	6,384	6,960	17,178	193,464
Due To Primary Government	-	-	992	36,918	37,910
Amount Held for Institutions	-	-	-	216,998	216,998
Other Liabilities	-	32,171	6,306	23,776	62,253
Total Current Liabilities	<u>186,194</u>	<u>47,955</u>	<u>30,845</u>	<u>353,749</u>	<u>618,743</u>
Noncurrent Liabilities:					
Pension Liability	69,628	55,669	74,542	53,625	253,464
Noncurrent Portion of Long-Term Obligations	4,241,675	119,515	125,595	549,719	5,036,504
Total Noncurrent Liabilities	<u>4,311,303</u>	<u>175,184</u>	<u>200,137</u>	<u>603,344</u>	<u>5,289,968</u>
Total Liabilities	<u>\$ 4,497,497</u>	<u>\$ 223,139</u>	<u>\$ 230,982</u>	<u>\$ 957,093</u>	<u>\$ 5,908,711</u>
Other Deferred Inflows					
Related to Pensions	\$ 12,834	\$ 3,991	\$ 4,266	\$ 6,675	\$ 27,766
Other Deferred Inflows	-	-	-	2,000	2,000
Total Deferred Inflows of Resources	<u>\$ 12,834</u>	<u>\$ 3,991</u>	<u>\$ 4,266</u>	<u>\$ 8,675</u>	<u>\$ 29,766</u>
Net Position					
Net Investment in Capital Assets	\$ 3,567	\$ 865	\$ 200,260	\$ 253,638	\$ 458,330
Restricted:					
Debt Service	-	-	7,664	-	7,664
Bond Indentures	863,095	-	2,102	-	865,197
Expendable Endowments	-	-	-	99,232	99,232
Nonexpendable Endowments	-	-	-	436,911	436,911
Capital Projects	-	-	114,613	-	114,613
Other Purposes	-	-	-	108,481	108,481
Unrestricted (Deficit)	-	(25,372)	39,561	294,079	308,268
Total Net Position	<u>\$ 866,662</u>	<u>\$ (24,507)</u>	<u>\$ 364,200</u>	<u>\$ 1,192,341</u>	<u>\$ 2,398,696</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF ACTIVITIES
COMPONENT UNITS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Housing Finance Authority (12/31/16)	\$ 204,781	\$ 169,992	\$ -	\$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	<u>292,357</u>	<u>277,390</u>	<u>45</u>	<u>2,339</u>
Total Component Units	<u>\$ 1,801,491</u>	<u>\$ 1,762,962</u>	<u>\$ 45</u>	<u>\$ 10,269</u>

General Revenues:
Investment Income
Total General Revenues
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**Net (Expense) Revenue and
Changes in Net Position**

Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
\$ (34,789)	\$ -	\$ -	\$ -	\$ (34,789)
-	(5,227)	-	-	(5,227)
-	-	24,384	-	24,384
-	-	-	(12,583)	(12,583)
(34,789)	(5,227)	24,384	(12,583)	(28,215)
12,397	6,366	624	55,085	74,472
12,397	6,366	624	55,085	74,472
(22,392)	1,139	25,008	42,502	46,257
889,054	(25,646)	339,192	1,149,839	2,352,439
\$ 866,662	\$ (24,507)	\$ 364,200	\$ 1,192,341	\$ 2,398,696

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Note 1

Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit), and the Board of Regents. Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

The following organizations (Connecticut Housing Finance Authority, Materials, Innovation, and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Student Loan Foundation, and Capital Region Development Authority) are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

The State appoints a voting majority of the organization's governing board and has the ability to access the resources for the following organizations (Connecticut Innovations, Incorporated and Connecticut Green Bank) therefore, these organizations are reported as component units.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

The Connecticut Airport Authority is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the authority from the State's reporting entity.

The State's major and nonmajor component units are:

Connecticut Housing Finance Authority (CHFA)

CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2016.

Connecticut Airport Authority (CAA)

The Connecticut Airport Authority was established in July 2011 to develop, improve and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports).

Materials, Innovation, and Recycling Authority (MIRA)

MIRA is responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. Effective fiscal year 2013, CHESLA was statutorily consolidated into CHEFA, making CHESLA a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)

CHEFA was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Student Loan Foundation (CSLF)

CSLF was established as a Connecticut State chartered nonprofit corporation established pursuant to State of Connecticut Statute Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

In July 2014, CSLF was statutorily consolidated with CHEFA as a subsidiary and became a quasi-public agency of the State of Connecticut.

Capital Region Development Authority (CRDA)

CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)

CI was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Connecticut Green Bank (CGB)

CGB was established on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes Connecticut Clean Energy Fund. CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)

The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated

The Foundation was created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the State's reporting entity.

c. Government-wide and Fund Financial Statements***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

When both restricted and unrestricted resources are available for use, the State generally uses restricted resources first, then unrestricted resources as needed. There may be occasions when restricted funds may only be spent in proportion to unrestricted funds spent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Grant and Loan Programs - This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

Board of Regents - This fund is used to account for the operations of the State University System & the State Community Colleges which consists of four universities: Central, Eastern, Southern, and Western and twelve regional community colleges.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 10, 11, and 12.

Other Post-Employment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 13 and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 3)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net position.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements Other than Buildings	10-20 years
Machinery and Equipment	5-30 years
Infrastructure	20-28 years

Securities Lending Transactions (see Note 3)

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position on the government-wide and fund financial statements in a separate section, after total assets.

Unearned Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as an expense in the year they are incurred. Other significant long-term obligations include the net pension liability, OPEB obligation, compensated absences, workers' compensation claims, and federal loans. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net position at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

f. Derivative Instruments

The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 18.

g. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position and Balance Sheet in a separate section, after total liabilities.

h. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

i. Endowments

The University of Connecticut and Health Center designate the University of Connecticut Foundation (a Component Unit of the State) as the manager of the University’s and Health Center’s endowment funds. The Foundation makes spending distributions to the University and Health Center for each participating endowment. The allocation is spent by the University and Health Center in accordance with the respective purposes of the endowments, the policies and procedures of the University, Health Center, and State statutes, and in accordance with the Foundation’s endowment spending policy.

Additional information regarding endowments is presented in the UConn Foundation financial report.

j. Supplemental Nutrition Assistance Program (SNAP)

Nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 3). Pool income is determined based on distributions made to the pool’s participants.

l. Upcoming Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (ARO’s). This Statement is effective for fiscal years beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance concerning the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The purpose of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB

Statements. This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

m. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2

Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2017, none of which constitutes a violation of statutory provisions (amounts in thousands).

<u>Capital Projects</u>	
Transportation	\$ 718
<u>Enterprise</u>	
Bradley Parking Garage	\$ 18,906

The Transportation deficit will be eliminated in the future by the sale of bonds. Bonds have not been issued in this fund since fiscal year 2008.

The Bradley parking garage is designed to generate cash flows from operations that, after operating and maintenance expenses are sufficient to service debt and make State and developer payments as well as to provide a return to the State of minimum guarantee payments, both of which are reflected as expenses in the accompanying statement of operations and accumulated deficit.

Note 3

Cash Deposits and Investments

According to GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”, the State is required to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State’s deposits may not be recovered.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund and twelve Combined Investment Funds.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers’ acceptances, repurchase agreements, and asset-backed securities. STIF’s investments are reported at amortized cost (which approximates fair value) in the fund’s statement of net position.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State’s financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State’s financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments. As of June 30, 2017, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund		
<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Investment Maturities (in years)</u>
		<u>Less Than 1</u>
Federal Agency Securities	\$ 1,358,486	\$ 1,358,486
Bank Commercial Paper	1,813,698	1,813,698
Government Money Market Funds	90,211	90,211
Repurchase Agreements	700,000	700,000
Total Investments	\$ 3,962,395	\$ 3,962,395

Interest Rate Risk

The STIF’s policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor’s requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2017, the weighted average maturity of the STIF was 35 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 30 percent of the overall portfolio. For purposes of the fund’s weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2017, the amount of STIF’s investments in variable-rate securities was \$1,026 million.

Credit Risk

The STIF’s policy for managing credit risk is to purchase short-term, high-quality fixed income securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2017, STIF’s investments were rated by Standard and Poor’s as follows (amounts in thousands):

Short-Term Investment Fund				
<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>AA+/A-1+</u>	<u>A/A-1</u>
Federal Agency Securities	\$ 1,358,486	-	\$ 1,358,486	-
Corporate & Bank Commercial Paper	1,813,698	-	1,813,698	-
Government Money Market Funds	90,211	90,211	-	-
Repurchase Agreements	700,000	-	450,000	250,000
Total Investments	\$ 3,962,395	\$ 90,211	\$ 3,622,184	\$ 250,000

Concentration of Credit Risk

STIF reduces its exposure to this risk by insuring that at least 75 percent of fund assets will be invested in securities rated “A-1+” or equivalent. In addition exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAm) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10 percent. As of June 30, 2017, STIF’s investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

<u>Investment Issuer</u>	<u>Amortized Cost</u>
Federal Home Loan Bank	\$ 598,333
Federal Farm Credit Bank	\$ 519,248
U.S. Bank	\$ 250,000
Commercial Paper & Corporate Securities	\$ 1,563,698
Merrill Lynch	\$ 250,000
RBC Capital Markets	\$ 450,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):

The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least "A-1" by Standard and Poor's and "F-1" by Fitch and whose long-term debt is rated at least "A-" and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2017, \$2,506,783 of the bank balance of STIF's deposits of \$2,507,533 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,034,558
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	<u>472,225</u>
Total	<u>\$ 2,506,783</u>

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net position.

For financial reporting purposes, the CIFS are considered to be external investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	\$ 115,073	\$ 660	\$ 32,432,138
Other Investments	<u>1,580</u>	<u>33,659</u>	<u>1,382,076</u>
Total Investments-Current	<u>\$ 116,653</u>	<u>\$ 34,319</u>	<u>\$ 33,814,214</u>

The CIFS measures and records its investments using fair value measurement guidelines. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The guidelines recognize a three tiered fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs.

As of June 30, 2017, the CIFS had the following investments (amounts in thousands):

Investments by Fair Value Level	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 283,294	\$ 652	\$ 282,642	\$ -
Asset Backed Securities	254,923	-	254,923	-
Government Securities	3,701,714	1,256,715	2,444,999	-
Government Agency Securities	716,185	-	716,185	-
Mortgage Backed Securities	280,579	-	280,579	-
Corporate Debt	4,037,233	-	3,939,688	97,545
Convertible Securities	51,662	-	51,662	-
Common Stock	15,327,224	15,327,224	-	-
Preferred Stock	77,158	59,691	17,467	-
Real Estate Investment Trust	319,239	273,996	45,243	-
Business Development Corporation	57,625	57,625	-	-
Mutual Fund	228,915	228,915	-	-
Limited Partnerships	<u>522</u>	<u>522</u>	-	-
Total	<u>\$ 25,336,273</u>	<u>\$ 17,205,340</u>	<u>\$ 8,033,388</u>	<u>\$ 97,545</u>
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporation	1,157	\$ -	Illiquid	N/A
Limited Partnerships	<u>7,230,945</u>	<u>1,868,390</u>	Illiquid	N/A
Total	<u>7,232,102</u>	<u>\$ 1,868,390</u>		
Total Investments in Securities at Fair Value	<u>\$ 32,568,375</u>			

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Following is a schedule which provides information about the interest rate risks associated with the CIF investments. The investments include short-term cash equivalents including certificate of deposits and collateral, long-term investments and restricted assets by maturity in years. (amounts in thousands):

Combined Investment Funds					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	\$ 283,294	\$ 283,294	\$ -	\$ -	\$ -
Asset Backed Securities	254,923	3,421	104,431	104,468	42,603
Government Securities	3,701,714	226,328	1,522,902	856,579	1,095,905
Government Agency Securities	716,185	95,298	53,914	21,968	545,005
Mortgage Backed Securities	280,579	-	63,068	20,777	196,734
Corporate Debt	4,037,233	1,360,182	1,448,361	916,314	312,376
Convertible Debt	51,662	1,157	9,879	12,517	28,109
	<u>\$ 9,325,590</u>	<u>\$ 1,969,680</u>	<u>\$ 3,202,555</u>	<u>\$ 1,932,623</u>	<u>\$ 2,220,732</u>

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2017, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds									
	Fair Value	Cash Equivalents	Asset		Government		Mortgage	Corporate	Convertible
			Backed Securities	Government Securities	Agency Securities	Backed Securities	Debt	Debt	
Aaa	\$ 2,614,409	\$ -	\$ 191,963	\$ 1,565,409	\$ 597,362	\$ 180,885	\$ 78,790	\$ -	
Aa	612,132	25,000	799	396,492	-	1,623	188,218	-	
A	886,351	30,000	90	474,681	-	8,021	373,559	-	
Baa	820,964	-	-	454,273	-	69	366,622	-	
Ba	742,742	-	-	249,074	-	-	476,819	16,849	
B	967,040	-	-	150,063	-	81	812,423	4,473	
Caa	439,933	-	-	94,671	-	-	345,005	257	
Ca	9,343	-	-	-	-	-	9,343	-	
C	5,017	-	-	-	-	-	5,017	-	
Prime 1	748,364	10,000	7,876	-	-	-	730,488	-	
Prime 2	24,270	-	-	-	-	-	24,270	-	
Prime 3	1,803	-	-	-	-	-	1,803	-	
Government fixed not rated	130,876	-	-	12,053	118,823	-	-	-	
Non Government fixed not rated	304,998	-	-	304,998	-	-	-	-	
Not Rated	1,017,348	218,293	54,195	-	-	89,901	624,875	30,084	
	<u>\$ 9,325,590</u>	<u>\$ 283,293</u>	<u>\$ 254,923</u>	<u>\$ 3,701,714</u>	<u>\$ 716,185</u>	<u>\$ 280,580</u>	<u>\$ 4,037,232</u>	<u>\$ 51,663</u>	

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in

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non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2017, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds										
Foreign Currency	Total	Fixed Income Securities						Equities		Real Estate
		Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Investment Trust Fund
Argentine Peso	\$ 25,554	\$ 737	\$ -	\$ 23,355	\$ 1,462	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	438,685	499	-	97,525	7,887	-	-	308,418	-	24,356
Brazilian Real	258,328	814	-	107,364	-	(10)	-	143,790	6,370	-
Canadian Dollar	120,512	1,498	-	21,063	-	(46)	-	97,935	-	62
Chilean Peso	18,436	-	-	414	-	-	-	18,022	-	-
Colombian Peso	59,622	1,267	-	58,175	-	-	-	180	-	-
Czech Koruna	18,091	(1)	-	12,539	-	-	-	5,553	-	-
Danish Krone	117,934	120	-	1,281	-	-	-	116,533	-	-
Egyptian Pound	7,447	1,569	-	-	3,724	-	-	2,154	-	-
Euro Currency	2,352,031	4,208	-	246,732	6,902	(26)	-	2,066,018	17,324	10,873
Ghanaian Cedi	2,697	-	-	-	2,697	-	-	-	-	-
Hong Kong Dollar	715,346	1,500	-	-	-	-	-	706,796	-	7,050
Hungarian Forint	73,331	812	-	29,993	-	-	-	42,526	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	4,810	-	-	301	4,509	-	-	-	-	-
Indonesian Rupiah	155,858	613	-	54,874	38,907	-	-	61,464	-	-
Israeli Shekel	36,424	236	-	-	-	-	-	36,188	-	-
Japanese Yen	1,408,203	5,918	-	35,455	-	212	-	1,359,217	-	7,401
Georgian Lari	2,128	-	-	-	2,128	-	-	-	-	-
Malaysian Ringgit	93,381	1,551	-	77,031	-	-	-	14,799	-	-
Mexican Peso	233,226	301	-	185,997	3,631	253	-	43,044	-	-
New Zealand Dollar	143,220	877	-	127,518	-	-	-	14,825	-	-
Nigerian Naira	205	66	-	-	-	-	-	139	-	-
Norwegian Krone	58,529	460	-	6,414	-	-	-	51,655	-	-
Peruvian Nouveau Sol	26,246	-	-	26,246	-	-	-	-	-	-
Philippine Peso	46,125	6	-	1,945	-	-	-	44,174	-	-
Polish Zloty	145,366	67	-	100,204	-	-	-	45,095	-	-
Pound Sterling	1,233,150	2,467	6	240,599	7,083	(61)	3,216	967,734	-	12,106
Romanian Leu	9,502	264	-	9,238	-	-	-	-	-	-
Russian Ruble	57,047	1,331	-	55,591	-	-	-	125	-	-
Singapore Dollar	118,119	454	-	22,029	-	-	-	92,054	-	3,582
South African Rand	193,636	408	-	92,470	-	-	-	100,659	-	99
South Korean Won	453,526	173	-	-	-	-	-	425,915	27,438	-
Sri Lanka Rupee	6,677	-	-	-	6,646	-	-	31	-	-
Swedish Krona	190,501	(44)	-	4,384	-	-	-	186,161	-	-
Swiss Franc	501,035	434	-	-	-	-	-	500,601	-	-
Thailand Baht	147,824	94	-	26,369	-	-	-	121,266	-	95
Turkish Lira	170,169	248	-	57,057	4,031	-	-	108,758	-	75
Uruguayan Peso	3,981	-	-	3,981	-	-	-	-	-	-
	<u>\$ 9,646,904</u>	<u>\$ 28,949</u>	<u>\$ 6</u>	<u>\$ 1,726,144</u>	<u>\$ 89,607</u>	<u>\$ 322</u>	<u>\$ 3,216</u>	<u>\$ 7,681,829</u>	<u>\$ 51,132</u>	<u>\$ 65,699</u>

Derivatives

As of June 30, 2017, the CIFS held the following derivative investments (amounts in thousands):

	2017 Fair Value	2016 Fair Value
Adjustable Rate Securities	\$ 652,183	\$ 581,229
Asset Backed Securities	255,114	153,799
Mortgage Backed Securities	215,946	303,820
Collateralized Mortgage Obligations	64,633	98,208
TBA's	118,185	41,236
Interest Only	470	423
Options	775	1,281
Total	<u>\$ 1,307,306</u>	<u>\$ 1,179,996</u>

The Inflation Linked Bond Fund held futures with a negative notional cost of (\$198,263 thousand) Also, the Core Fixed Income held futures with a negative notional cost of (\$13,944 thousand). The High Yield Debt Fund held futures with a negative notional cost of (\$16,140 thousand), the Developed Market International Stock held futures with a notional cost of (\$132,461 thousand).

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2017, the fair value of contracts to buy and contracts to sell was \$7.8 billion and \$7.8 billion, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2017, the CIFS had deposits with a bank balance of \$89.1 million which was uninsured and uncollateralized.

Complete financial information about the STIF and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments

The University of Connecticut measures and records its investments using fair value measurement guidelines. These guidelines have a three tiered fair value hierarchy, as follows: Level 1; Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs. As of June 30, 2017, UConn had the following recurring fair value measurements. (amounts in thousands):

Fair Value Measurements				
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 426	\$ 426	\$ -	\$ -
Fixed Income Securities	1,771	1,771	-	-
Equity Securities	10,324	9,571	753	-
Partnerships	-	-	-	-
Total	<u>\$ 12,521</u>	<u>\$ 11,768</u>	<u>\$ 753</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Capital Partnerships	\$ 1,422	\$ 476	N/A	N/A
Private Real Estate Partnerships	137	39	N/A	N/A
Natural Resource Partnerships	630	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	855	-	N/A	N/A
Other	232	-	N/A	N/A
Total	<u>3,277</u>	<u>\$ 601</u>		
Total Investments in Securities at Fair Value	<u>\$ 15,798</u>			

As of June 30, 2017, the State had other investments and maturities as follows (amounts in thousands):

Investment Type	Other Investments			
	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	6-10
State Bonds	\$ 14,338	\$ 290	\$ 12,808	\$ 1,240
U.S. Government and Agency Securities	242,495	97,991	5,364	139,140
Guaranteed Investment Contracts	112,388	9,964	34,809	67,615
Money Market Funds	28,898	28,898	-	-
Total Debt Investments	398,119	\$ 137,143	\$ 52,981	\$ 207,995
Endowment Pool	14,484			
Corporate Stock	1,082			
Other Investments	232			
Total Investments	\$ 413,917			

Credit Risk

As of June 30, 2017, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Investment Type	Other Investments				
	Fair Value	Quality Ratings			
		AA	A	BBB	Unrated
State Bonds	\$ 14,338	\$ 12,758	\$ 1,580	\$ -	\$ -
U.S. Government and Agency Securities	146,224	146,224	-	-	-
Guaranteed Investment Contracts	112,388	14,565	64,488	14,128	19,207
Money Market Funds	28,898	-	-	-	28,898
Total	\$ 301,848	\$ 173,547	\$ 66,068	\$ 14,128	\$ 48,105

Connecticut State Universities reported \$96 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. As of June 30, 2017, \$169,535 of the bank balance of the Primary Government of \$173,349 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 89,379
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	80,156
Total	\$ 169,535

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-16 and 6-30-17, respectively (amounts in thousands):

Investment Type	Major Component Units				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 626	\$ -	\$ -	\$ 626	\$ -
GNMA & FNMA Program Assets	1,268,049	-	-	724	1,267,325
Mortgage Backed Securities	654	-	-	93	561
Money Market	9,825	9,825	-	-	-
Municipal Bonds	53,426	286	1,329	1,748	50,063
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	-	276
U.S. Government Agency Securities	870	-	-	-	870
Total Debt Investments	1,826,049	\$ 502,434	\$ 1,329	\$ 3,191	\$ 1,319,095
Annuity Contracts	124,701				
Total Investments	\$ 1,950,750				

The CHFA and the CLC own 93.6 percent and 6.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk

CHFA

The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-16 as follows (amounts in thousands):

Investment Type	Component Units				
	Fair Value	AAA	Quality Ratings		
			CCC	D	Unrated
Collateralized Mortgage Obligations	\$ 626	\$ -	\$ 626	\$ -	\$ -
Municipal Bonds	53,426	-	-	-	53,426
Money Market	9,825	-	-	-	9,825
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	276	-
Total	\$ 556,476	\$ 492,323	\$ 626	\$ 276	\$ 63,251

Concentration of Credit Risk

CHFA

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2016, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA and FNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The funds' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the market value of the domestic loaned securities or 105 percent of the market value of foreign loaned securities.

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were \$2,020.8 million and \$1,973.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 8.86 days and an average weighted maturity of 53.79 days.

Note 4 Receivables-Current

As of June 30, 2017, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 1,734,808	\$ -	\$ -
Accounts	1,340,664	480,114	82,676
Loans-Current Portion	-	256,914	25,891
Other Governments	497,534	8,360	5,418
Interest	1,655	4,601	550
Other (1)	392	2,022	2,111
Total Receivables	3,575,053	752,011	116,646
Allowance for Uncollectibles	(895,819)	(105,398)	(6,645)
Receivables, Net	\$ 2,679,234	\$ 646,613	\$ 110,001

(1) Includes a reconciling amount of \$379 thousand from fund financial statements to government-wide financial statements.

Note 5 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2017 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	\$ 677,132	\$ -	\$ 677,132
Income Taxes	600,968	-	600,968
Corporations	5,265	-	5,265
Gasoline and Special Fuel	-	139,489	139,489
Various Other	311,954	-	311,954
Total Taxes Receivable	1,595,319	139,489	1,734,808
Allowance for Uncollectibles	(214,816)	(131)	(214,947)
Taxes Receivable, Net	\$ 1,380,503	\$ 139,358	\$ 1,519,861

Note 6 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2017, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	\$ -	\$ -	\$ 34,335
Loans	914,683	999,489	412,625
Total Receivables	914,683	999,489	446,960
Allowance for Uncollectibles	(11,456)	(269)	(9,660)
Receivables, Net	\$ 903,227	\$ 999,220	\$ 437,300

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic development agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborhoods and communities and improving the quality of life for state residents. These loans are payable over a ten year period with rates ranging from 2 percent to 4 percent.

Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was \$850.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was \$100.0 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2017, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	\$ 827,125	\$ -	\$ -	\$ -	\$ 827,125
Total-Governmental Activities	\$ 827,125	\$ -	\$ -	\$ -	\$ 827,125
Business-Type Activities:					
UConn/Health Center	\$ 143,617	\$ -	\$ -	\$ -	\$ 143,617
Clean Water	201,807	127,884	-	-	329,691
Other Proprietary	86,019	8,834	-	-	94,853
Total-Business-Type Activities	\$ 431,443	\$ 136,718	\$ -	\$ -	\$ 568,161
Component Units:					
CHFA	\$ 503,002	\$ 1,323,615	\$ 3,288,519	\$ 126,971	\$ 5,242,107
CAA	121,188	-	-	3,191	124,379
Other Component Units	371,032	-	-	20,040	391,072
Total-Component Units	\$ 995,222	\$ 1,323,615	\$ 3,288,519	\$ 150,202	\$ 5,757,558

Note 8 Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2017, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	\$ 133,407	\$ 216,810	\$ -	\$ -	\$ 350,217
Transportation	17,639	13,403	-	-	31,042
Restricted Accounts	224,965	11,981	-	-	236,946
Grants and Loans	4,349	113	-	2,188	6,650
Other Governmental	87,555	7,870	-	-	95,425
Internal Service	914	1,109	-	-	2,023
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,917	4,263	244,180
Total-Governmental Activities	\$ 468,829	\$ 251,286	\$ 239,917	\$ 6,451	\$ 966,483
Business-Type Activities:					
UConn/Health Center	\$ 129,752	\$ 84,112	\$ -	\$ 36,547	\$ 250,411
Board of Regents	22,912	85,504	2,397	6,776	117,589
Other Proprietary	9,712	-	12,778	1,943	24,433
Total-Business-Type Activities	\$ 162,376	\$ 169,616	\$ 15,175	\$ 45,266	\$ 392,433
Component Units:					
CHFA	\$ -	\$ -	\$ 15,200	\$ 8,052	\$ 23,252
Connecticut Lottery Corporation	7,942	-	1,458	-	9,400
Connecticut Airport Authority	3,850	4,972	1,122	6,643	16,587
Other Component Units	1,902	-	994	55,983	58,879
Total-Component Units	\$ 13,694	\$ 4,972	\$ 18,774	\$ 70,678	\$ 108,118

Note 9**Capital Assets**

Capital asset activity for the year was as follows (amounts in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$ 1,747,636	\$ 76,887	\$ 36,131	\$ 1,788,392
Construction in Progress	<u>4,544,315</u>	<u>1,732,295</u>	<u>1,288,170</u>	<u>4,988,440</u>
Total Capital Assets not being Depreciated	6,291,951	1,809,182	1,324,301	6,776,832
Capital Assets being Depreciated:				
Buildings	4,321,300	346,617	47,494	4,620,423
Improvements Other than Buildings	466,705	9,237	3,293	472,649
Equipment	2,618,191	131,146	127,480	2,621,857
Infrastructure	<u>14,673,328</u>	<u>924,600</u>	<u>-</u>	<u>15,597,928</u>
Total Other Capital Assets at Historical Cost	22,079,524	1,411,600	178,267	23,312,857
Less: Accumulated Depreciation For:				
Buildings	1,716,901	115,417	47,494	1,784,824
Improvements Other than Buildings	325,349	23,502	3,293	345,558
Equipment	2,563,352	137,063	127,480	2,572,935
Infrastructure	<u>10,059,972</u>	<u>441,969</u>	<u>-</u>	<u>10,501,941</u>
Total Accumulated Depreciation	14,665,574	717,951	178,267	15,205,258
Other Capital Assets, Net	<u>7,413,950</u>	<u>693,649</u>	<u>-</u>	<u>8,107,599</u>
Governmental Activities, Capital Assets, Net	<u>\$ 13,705,901</u>	<u>\$ 2,502,831</u>	<u>\$ 1,324,301</u>	<u>\$ 14,884,431</u>

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 4,897
General Government	21,838
Regulation and Protection	23,426
Conservation and Development	10,722
Health and Hospitals	9,698
Transportation	563,233
Human Services	986
Education, Libraries and Museums	30,220
Corrections	27,661
Judicial	16,707
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	<u>8,563</u>
Total Depreciation Expense	<u>\$ 717,951</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 68,631	\$ -	\$ 6	\$ 68,625
Construction in Progress	<u>686,070</u>	<u>254,863</u>	<u>63,589</u>	<u>877,344</u>
Total Capital Assets not being Depreciated	754,701	254,863	63,595	945,969
Capital Assets being Depreciated:				
Buildings	5,311,471	297,545	12,705	5,596,311
Improvements Other Than Buildings	403,251	27,378	-	430,629
Equipment	<u>1,042,391</u>	<u>75,327</u>	<u>60,330</u>	<u>1,057,388</u>
Total Other Capital Assets at Historical Cost	6,757,113	400,250	73,035	7,084,328
Less: Accumulated Depreciation For:				
Buildings	2,059,224	163,359	11,437	2,211,146
Improvements Other Than Buildings	218,957	14,607	-	233,564
Equipment	<u>694,936</u>	<u>75,332</u>	<u>57,037</u>	<u>713,231</u>
Total Accumulated Depreciation	2,973,117	253,298	68,474	3,157,941
Other Capital Assets, Net	<u>3,783,996</u>	<u>146,952</u>	<u>4,561</u>	<u>3,926,387</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 4,538,697</u>	<u>\$ 401,815</u>	<u>\$ 68,156</u>	<u>\$ 4,872,356</u>

Component Units

Capital assets of the component units consisted of the following as of June 30, 2017 (amounts in thousands):

Land	\$ 59,475
Buildings	700,310
Improvements other than Buildings	323,185
Machinery and Equipment	582,155
Construction in Progress	17,969
Total Capital Assets	1,683,094
Accumulated Depreciation	912,081
Capital Assets, Net	\$ 771,013

Note 10

State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) Tier IIA (contributory) and Tier III (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. Beginning in fiscal year 2018, all new hires to SERS will be in a new Tier IV Hybrid Plan structure. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of the CAFR.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees' Retirement Commission administers SERS and JRS. The sixteen members are: the State Treasurer or a designee who serves as a non-voting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: the State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education or their designees, who serve as ex-officio voting members. Six members who are elected by teacher membership and five public members appointed by the Governor.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68 as non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS	TRS	JRS
	6/30/2016	6/30/2016	6/30/2016
Inactive Members or their			
Beneficiaries receiving benefits	48,191	36,065	250
Inactive Members Entitled to but			
not yet Receiving Benefits	1,412	2,085	3
Active Members	50,019	50,877	204

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living allowances, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA/III plan. Employees in the new Tier IV Hybrid Plan will be required to contribute 3 percent more than Tier II employees into the defined benefit plan. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System**Plan Description**

TRS is a cost-sharing multiple-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. Administrative costs of the plan are funded by the State.

Judicial Retirement System**Plan Description**

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2016.

Asset Class	SERS		TRB		JRS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	25.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	20.0%	6.6%	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	9.0%	8.3%
Real Estate	7.0%	5.1%	5.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	10.0%	7.6%	11.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	13.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	2.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	4.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	6.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	4.0%	0.4%

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

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 14.3 percent, 14.4 percent, and 13.0 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability as of the measurement June 30, 2016 were as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Total Pension Liability	\$ 33,617	\$ 29,840	\$ 434
Fiduciary Net Position	<u>10,654</u>	<u>15,595</u>	<u>190</u>
Net Pension Liability	<u>\$ 22,963</u>	<u>\$ 14,245</u>	<u>\$ 244</u>
Ratio of Fiduciary Net Position to Total Pension Liability	31.69%	52.26%	43.76%

Deferred Retirement Option Program (DROP)

Section 10-183v of the General Statute authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

As of June 30, 2017 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

The discount rate used to measure the total pension liability was 6.9, 8.0, and 6.9 percent for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rate assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made at actuarially determined rates in future years. Based on those assumptions, SERS, TRS, and JRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the State, calculated using the discount rates of 6.9, 8.0 and 6.9 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in millions):

	1%	Current	1%
	Decrease in	Discount	Increase in
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
SERS Net Pension Liability	\$ 27,250	\$ 22,963	\$ 19,395
TRS Net Pension Liability	\$ 17,574	\$ 14,245	\$ 11,431
JRS Net Pension Liability	\$ 290	\$ 244	\$ 204

*c. GASB Statement 68 Employer Reporting
Employer Contributions*

The following table presents the primary government's and component units' contributions recognized by the pension plans at the measurement date June 30, 2016 (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>Total</u>
Primary Government	\$ 1,484,817	\$ 975,578	\$ 18,259	\$ 2,478,654
Component Units	16,988	-	-	16,988
Total Employer Contributions	<u>\$ 1,501,805</u>	<u>\$ 975,578</u>	<u>\$ 18,259</u>	<u>\$ 2,495,642</u>

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

As of the reporting date June 30, 2017, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	\$ 22,703,172	\$ 259,752
Net Pension Liability		
Teachers' Retirement System	14,245,051	-
Judicial Retirement System	243,845	-
Total Net Pension Liability	<u>\$ 37,192,068</u>	<u>\$ 259,752</u>

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2016 as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
State Employees' Retirement System		
Proportion-June 30, 2016	98.87%	1.13%

For the reporting year ended June 30, 2017, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
Pension Expense		
State Employees' Retirement System	\$ 2,467,116	\$ 24,002
Teachers' Retirement System	1,553,474	-
Judicial Retirement System	34,629	-
	<u>\$ 4,055,219</u>	<u>\$ 24,002</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 711,943	\$ -	\$ 8,146	\$ -
Difference Between Expected and Actual Experience	630,684	-	7,216	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	7,994	27,815
Change in Assumptions	4,047,825	-	46,312	-
Employer Contributions Subsequent to Measurement Date	1,525,310	-	16,988	-
Total	<u>\$ 6,915,762</u>	<u>\$ -</u>	<u>\$ 86,656</u>	<u>\$ 27,815</u>
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 1,206,422	\$ -		
Difference Between Expected and Actual Experience	-	320,621		
Change in Assumptions	1,888,199	-		
Employer Contributions Subsequent to Measurement Date	1,012,162	-		
Total	<u>\$ 4,106,783</u>	<u>\$ 320,621</u>		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 13,075	\$ -		
Difference Between Expected and Actual Experience	-	7,052		
Change in Assumptions	48,573	-		
Employer Contributions Subsequent to Measurement Date	19,164	-		
Total	<u>\$ 80,812</u>	<u>\$ 7,052</u>		

The amount reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

State Employees' Retirement System		
Year Ending June 30	Primary Government	Component Units
	2017	\$ 1,127,260
2018	1,127,258	8,673
2019	1,268,627	10,290
2020	1,161,976	9,052
2021	725,151	5,166
	<u>\$ 5,410,272</u>	<u>\$ 41,854</u>

Teachers' Retirement System	
Year Ending June 30	Primary Government
2017	\$ 509,415
2018	509,417
2019	723,584
2020	543,234
2021-2022	488,350
	<u>\$ 2,774,000</u>

Judges' Retirement System	
Year Ending June 30	Primary Government
2017	\$ 16,495
2018	16,493
2019	18,462
2020	3,146
2021	-
	<u>\$ 54,596</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2016	6/30/2016	6/30/2016
Inflation	2.50%	2.75%	2.50%
Salary Increases	3.5%-19.5%	3.25%-6.50%	4.50%
Investment Rate of Return	6.90%	8.0%	6.90%

The actuarial assumptions used in the June 30, 2016 SERS and JRS reported mortality rates based on the RP-2014 Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2016 TRS actuarial report were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2016 (amounts in thousands):

Total Pension Liability	SERS	TRS	JRS
Service Cost	\$ 322,114	\$ 419,616	\$ 8,508
Interest	2,105,947	2,228,958	28,251
Benefit Changes	-	-	-
Difference between expected and actual experience	772,762	(375,805)	(9,380)
Changes of assumptions	4,959,705	2,213,190	64,604
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Refunds of Contributions	(7,098)	-	-
Net change in total pension liability	6,424,249	2,747,828	68,989
Total pension liability - beginning (a)	27,192,467	27,092,095	364,614
Total pension liability - ending (c)	\$ 33,616,716	\$ 29,839,923	\$ 433,603
Plan fiduciary net position			
Contributions - employer	\$ 1,501,805	\$ 975,578	\$ 18,259
Contributions - member	135,029	293,493	1,831
Net investment income	(100)	(18,473)	1,440
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Other	77,859	(37,648)	1,680
Net change in plan fiduciary net position	(14,588)	(525,181)	216
Plan net position - beginning (b)	10,668,380	16,120,053	189,542
Plan net position - ending (d)	\$ 10,653,792	\$ 15,594,872	\$ 189,758
Net pension liability - beginning (a)-(b)	\$ 16,524,087	\$ 10,972,042	\$ 175,072
Net pension liability - ending (c)-(d)	\$ 22,962,924	\$ 14,245,051	\$ 243,845

d. Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees' Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed \$36.5 million and \$56.2 million, respectively.

Note 11**Other Retirement Systems Administered by the State of Connecticut**

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (MERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for MERS and CPJERS are presented in Note No. 12.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	MERS 6/30/2016	CPJERS 12/31/2015
Retirees and beneficiaries		
receiving benefits	7,102	336
Terminated plan members entitled		
to but not receiving benefits	1,335	149
Active plan members	9,373	371
Total	<u>17,810</u>	<u>856</u>
Number of participating employers	191	1

Connecticut Municipal Employees' Retirement System**Plan Description**

MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled and the plan assets can be used to pay the pensions of the retirees of any participating employer. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

b. Investment Policy

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

Asset Class	MERS	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investment	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	14.0%	3.9%
Emerging Market Bond	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%
Cash	3.0%	0.4%

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

*c. GASB Statement 68 Employer Reporting**Net Pension Liability of Participating Employers*

The components of the net pension liability for MERS at June 30, 2016 were as follows (amounts in millions):

	<u>MERS</u>
Employers' Total Pension Liability	\$ 2,840
Fiduciary Net Position	<u>2,507</u>
Employers' Net Pension Liability	<u>\$ 333</u>
Ratio of Fiduciary Net Position to Total Pension Liability	88.29%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent for MERS. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of MERS, calculated using the discount rate of 8 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate (amounts in millions):

	<u>1%</u> <u>Decrease in</u> <u>Rate</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase in</u> <u>Rate</u>
Net Pension Liability	\$ 681	\$ 333	\$ 40

Deferred outflows and deferred inflows of resources

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Municipal Employees Retirement System	
Difference Between Expected and Actual Experience	\$ 40,035
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>157,150</u>
	<u>\$ 197,185</u>

Amounts recognized in subsequent fiscal years:

<u>Year Ending June 30</u>	<u>MERS</u>
2017	\$ 44,762
2018	44,762
2019	66,197
2020	<u>41,464</u>

The above amounts do not include the deferred outflows/inflows of resources for employer contributions made subsequent to the measurement date. These amounts should be calculated and recorded by each participating employer.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2016 is as follows (amounts in thousands):

Service Cost	\$ 67,126
Interest on the total pension liability	206,064
Expensed portion of current-period difference between expected and actual experience in the total pension liability	10,292
Member Contributions	(24,019)
Projected earnings on plan investments	(179,274)
Expensed portion of current period differences between projected and actual earnings on plan investments	32,305
Other	(6,063)
Recognition of beginning deferred outflows of resources as pension expense	2,165
Collective Pension Expense	<u>\$ 108,596</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	3.25%
Salary increase	4.25-11.0%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

d. Connecticut Probate Judges and Employees' Retirement System**Plan Description**

CPJERS is an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

Funding

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 13

Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). This year the State adapted the Governmental Accounting Standards Board Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions. The Teachers' Retirement Board administers the Retired Teachers' Healthcare Plan. None of these plans issue stand alone statements, however, financial statements for these plans are presented in Note No. 14.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	<u>SEOPEBP</u>	<u>RTHP</u>
	<u>6/30/2017</u>	<u>6/30/2016</u>
Inactive Members or their		
Beneficiaries receiving benefits	70,776	40,160
Inactive Members Entitled to but		
not yet Receiving Benefits	484	2,085
Active Members	53,101	50,877

State Employee OPEB Plan

Plan Description

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

Funding Policy

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

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable

level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2017.

Asset Class	SEOPEBP		RTHP	
	Target Allocation	Long-Term	Target Allocation	Expected 10 year
		Expected Real Rate of Return		Geometric Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	0.00%	4.39%
Small/Mid U.S. Equities	0.0%	0.0%	0.00%	4.74%
Non U.S. Equities - Developed	18.0%	6.6%	0.00%	4.86%
Non U.S. - Emerging Markets	9.0%	8.3%	0.00%	6.19%
Real Estate	7.0%	5.1%	0.00%	4.11%
Hedge Funds	0.0%	0.0%	0.00%	3.18%
Commodities	0.0%	0.0%	0.00%	1.78%
Infrastructure	0.0%	0.0%	0.00%	4.34%
Private Equity	11.0%	7.6%	0.00%	6.91%
Alternative Investment	8.0%	4.1%	0.00%	0.00%
Fixed Income (Core)	8.0%	1.3%	0.00%	1.22%
Long Duration Bonds	0.0%	0.0%	0.00%	1.62%
High Yield Bonds	5.0%	3.9%	0.00%	3.66%
Non U.S. Debt - Developed	0.0%	0.0%	0.00%	0.26%
Non U.S. Debt - Emerging	4.0%	3.7%	0.00%	3.53%
TIPS (Inflation Protected)	0.0%	0.0%	0.00%	0.63%
Inflation Linked Bonds	5.0%	1.0%	0.00%	0.00%
U. S. Treasuries (Cash Equivalents)	4.0%	0.4%	100.00%	-0.02%

The long-term expected rate of return on RTHP OPEB plan assets was determined by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The assumption is not expected to change absent a significant change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in future years.

c. GASB 74 Requirements

Net OPEB Liability

The components of the net OPEB liability as of June 30, 2017, the measurement date, were as follows (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability	\$ 17,928,030	\$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	\$ 17,385,688	\$ 3,475,344
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%	1.79%

Actuarial Assumptions

The total OPEB liability was determined by actuarial valuations as of June 30, 2017 and June 30, 2016 respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP	RTHP
	6/30/17	6/30/16
Inflation	3.25%	2.75%
Salary increase	3.75%	3.25%-6.5%
Investment rate of return	6.90%	4.25%, net of pension plan investment expense including price inflation
Healthcare cost trend rates	10% for drug cost graded to 5% over 5 years, other cost 5%	7.75% decreasing to 5% by year 2022

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

Mortality rates for the State Teachers Retirement System were based on RPH-2014 White Collar Morality Table with employee and annuitant rates blended from ages 50 to 80 projected to year 2020 under Scale BB and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. Disabled participants mortality rates were based on the RPH-2014 Disabled Retiree Mortality Table projected to 2017 using BB improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.74 and 3.56 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (amounts in thousands):

	SEOPEBP		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>2.74%</u>	<u>3.74%</u>	<u>4.74%</u>
SEOPEBP Net OPEB Liability	\$ 20,115,969	\$ 17,385,688	\$ 15,158,837

	RTHP		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>2.56%</u>	<u>3.56%</u>	<u>4.56%</u>
RTHP Net OPEB Liability	\$ 4,188,346	\$ 3,475,344	\$ 2,914,719

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (amounts in thousands):

	SEOPEBP		
	1% Decrease	Current	1% Increase
	<u>14,936,332</u>	<u>17,385,688</u>	<u>20,477,885</u>
SEOPEBP Net OPEB Liability	\$ 14,936,332	\$ 17,385,688	\$ 20,477,885

	RTHP		
	1% Decrease	Current	1% Increase
	<u>2,861,462</u>	<u>3,475,344</u>	<u>4,301,861</u>
RTHP Net OPEB Liability	\$ 2,861,462	\$ 3,475,344	\$ 4,301,861

Changes in Net OPEB Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2017 (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability		
Service Cost	\$ 1,081,923	\$ 148,220
Interest	849,907	111,129
Benefit Changes	(8,853,455)	-
Difference between expected and actual experience	(97,527)	-
Changes of assumptions	(1,936,042)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	<u>(9,594,661)</u>	<u>(195,271)</u>
Total OPEB liability - beginning	<u>27,522,691</u>	<u>3,734,043</u>
Total OPEB liability - ending (a)	<u>\$ 17,928,030</u>	<u>\$ 3,538,772</u>
Plan fiduciary net position		
Contributions - employer	\$ 667,401	\$ 19,922
Contributions - member	120,783	50,436
Net investment income	53,194	369
Benefit payments	(639,467)	(84,071)
Administrative expense	-	(150)
Other	(187)	42
Net change in plan fiduciary net position	<u>201,724</u>	<u>(13,452)</u>
Plan fiduciary net position - beginning	<u>340,618</u>	<u>76,880</u>
Plan fiduciary net position - ending (b)	<u>\$ 542,342</u>	<u>\$ 63,428</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 17,385,688</u>	<u>\$ 3,475,344</u>

The benefit changes is a result of the implementation of the Medicare Advantage plan for the State's Medicare-eligible retirees effective after January 1, 2018, as well as proposed changes in the SEBAC agreement for non-Medicare retirees. These changes pertaining to premium shares and health care design changes, affect new retirees after October 2, 2017.

Annual OPEB Cost and Net OPEB Obligation Required by GASB 45

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	<u>SEOPEBP</u>	<u>RTHP</u>
Annual Required Contribution	\$ 1,043,143	\$ 166,802
Interest on Net OPEB Obligation	503,257	49,450
Adjustment to Annual Required Contribution	<u>(512,216)</u>	<u>(40,881)</u>
Annual OPEB Cost	1,034,184	175,371
Contributions Made	<u>667,401</u>	<u>19,922</u>
Increase in net OPEB Obligation	366,783	155,449
Net OPEB Obligation - Beginning of Year	<u>8,829,062</u>	<u>1,098,891</u>
Net OPEB Obligation - End of Year	<u>\$ 9,195,845</u>	<u>\$ 1,254,340</u>

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	<u>Fiscal</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net</u>
	<u>Year</u>	<u>OPEB</u>	<u>Annual OPEB</u>	<u>OPEB</u>
		<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
SEOPEBP				
	2017	\$ 1,034,184	64.5%	\$ 9,195,845
	2016	\$ 1,435,596	42.4%	\$ 8,829,062
	2015	\$ 1,541,667	35.4%	\$ 8,002,059
RTHP				
	2017	\$ 175,371	11.4%	\$ 1,254,340
	2016	\$ 137,983	14.5%	\$ 1,098,891
	2015	\$ 118,175	21.3%	\$ 980,868

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2017 and 2016, respectively, date of the latest actuarial valuations (amounts in million):

	<u>Actuarial</u>	<u>Actuarial</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Covered</u>	<u>UAAL as a</u>
	<u>Value of</u>	<u>Liability (AAL)</u>	<u>AAL</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Percentage of</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
SEOPEBP	\$ 229.6	\$ 19,119.6	\$ 18,890.0	1.2%	\$ 3,895.1	485.0%
RTHP	\$ -	\$ 2,997.5	\$ 2,997.5	0.0%	\$ 3,949.9	75.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

d. Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 14.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2016 there were 8 municipalities participating in the plan with a total membership of 634 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 14

OPEB Trust Funds Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

	Statement of Fiduciary Net Position (000's)			
	State	Retired	Policemen,	Total
	Employees'	Teachers'	Firemen, and	
	OPEB Plan	Healthcare Plan	Survivors' Benefits	
Assets				
Cash and Cash Equivalents	\$ 5,706	\$ 60,890	\$ 109	\$ 66,705
Receivables:				
Accounts, Net of Allowances	-	7,364	-	7,364
From Other Funds	(38)	1,897	-	1,859
Interest	-	-	2	2
Investments	569,440	-	32,349	601,789
Securities Lending Collateral	36,224	-	2,244	38,468
Total Assets	<u>\$ 611,332</u>	<u>\$ 70,151</u>	<u>\$ 34,704</u>	<u>\$ 716,187</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 32,766	\$ 6,722	\$ -	\$ 39,488
Securities Lending Obligation	36,224	-	2,244	38,468
Due To Other Funds	-	-	-	-
Total Liabilities	<u>\$ 68,990</u>	<u>\$ 6,722</u>	<u>\$ 2,244</u>	<u>\$ 77,956</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 542,342	\$ 63,428	\$ 32,460	\$ 638,230
Total Net Assets	<u>\$ 542,342</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 638,230</u>

	Statement of Changes in Fiduciary Net Position (000's)			
	State	Retired	Policemen,	Total
	Employees'	Teachers'	Firemen, and	
	OPEB Plan	Healthcare Plan	Survivors' Benefit	
Additions				
Contributions:				
Plan Members	\$ 120,783	\$ 102,986	\$ 555	\$ 224,324
State	667,401	19,922	-	687,323
Municipalities	-	-	645	645
Total Contributions	788,184	122,908	1,200	912,292
Investment Income	54,431	369	3,949	58,749
Less: Investment Expenses	(1,237)	-	(90)	(1,327)
Net Investment Income	53,194	369	3,859	57,422
Other	-	42	-	42
Total Additions	841,378	123,319	5,059	969,756
Deductions				
Administrative Expense	-	5,684	-	5,684
Benefit Payments and Refunds	639,467	131,087	1,222	771,776
Other	187	-	-	187
Total Deductions	639,654	136,771	1,222	777,647
Changes in Net Assets	201,724	(13,452)	3,837	192,109
Net Position Held in Trust For				
 Other Postemployment Benefits:				
Beginning of Year (as restated)	340,618	76,880	28,623	446,121
End of Year	<u>\$ 542,342</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 638,230</u>

Note 15

Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2018	\$	36,922
2019		36,017
2020		36,366
2021		23,194
2022		23,277
Thereafter		82,967
Total	\$	<u>238,743</u>

Contingent revenues for the year ended June 30, 2017, were \$628 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2017, were as follows (amounts in thousands):

	<u>Noncancelable Operating Leases</u>	<u>Capital Leases</u>
2018	\$ 25,402	\$ 7,815
2019	31,800	7,352
2020	19,206	6,377
2021	13,570	2,471
2022	19,658	2,159
2023-2027	7,775	6,283
2028-2032	-	4,870
Total minimum lease payments	<u>\$ 117,411</u>	37,327
Less: Amount representing interest costs		<u>6,427</u>
Present value of minimum lease payments		<u>\$ 30,900</u>

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2017, were \$25.4 million.

Note 16

Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2017, (amounts in thousands):

Governmental Activities	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Amounts due within one year
Bonds:					
General Obligation	\$ 17,394,622	\$ 3,004,480	\$ 2,000,548	\$ 18,398,554	\$ 1,403,467
Transportation	4,519,690	868,265	346,115	5,041,840	301,345
	21,914,312	3,872,745	2,346,663	23,440,394	1,704,812
Plus (Less) Premiums	1,672,204	427,323	212,443	1,887,084	190,620
Total Bonds	23,586,516	4,300,068	2,559,106	25,327,478	1,895,432
Long-Term Notes	352,585	-	175,465	177,120	177,120
Other L/T Liabilities:¹					
Net Pension Liability (Note 10)	27,459,972	15,039,145	5,307,046	37,192,071	-
Net OPEB Obligation	9,927,951	1,209,554	687,323	10,450,182	-
Compensated Absences	511,391	40,373	38,928	512,836	40,370
Workers' Compensation	684,401	133,780	100,165	718,016	103,265
Capital Leases	32,342	4,346	5,788	30,900	6,911
Claims and Judgments	62,849	12,200	23,886	51,163	37,778
Landfill Post Closure Care	49,433	-	13,136	36,297	1,217
Liability on Interest Rate Swaps	1,857	-	1,031	826	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	38,730,901	16,439,398	6,177,303	48,992,996	189,541
Governmental Activities Long-Term Liabilities	\$ 62,670,002	\$ 20,739,466	\$ 8,911,874	\$ 74,497,594	\$ 2,262,093
¹ In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	\$ 1,246,682	\$ 428,687	\$ 232,564	\$ 1,442,805	\$ 90,176
Plus/(Less) Premiums and Discounts	102,044	77,015	3,442	175,617	2,159
Total Revenue Bonds	1,348,726	505,702	236,006	1,618,422	92,335
Compensated Absences	192,180	37,237	36,670	192,747	53,480
Other	339,188	2,785	14,554	327,419	17,124
Total Other Liabilities	531,368	40,022	51,224	520,166	70,604
Business-Type Long-Term Liabilities	\$ 1,880,094	\$ 545,724	\$ 287,230	\$ 2,138,588	\$ 162,939

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$37.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2017, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2017	Amounts due within year
Bonds Payable	\$ 4,712,686	\$ 140,268
Escrow Deposits	182,370	43,612
Annuities Payable	125,434	6,384
Rate Swap Liability	144,257	-
Net Pension Liability	253,464	-
Other	65,221	3,200
Total	\$ 5,483,432	\$ 193,464

Not all component units report net pension liabilities; therefore the net pension liability in the notes is \$6,287 higher than in the financial statements.

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). During the year ended June 30, 2014, the legal transfer of \$35.8 million in post closure care obligations and the concurrent transfer of \$31.0 million of Authority reserve funds to the State resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP.

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled \$1,216,746 in FY2017.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17

Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

In December 2009, Public Act 09-2 authorized the issuance \$915.8 million of General Obligation Economic Recovery Notes which were used to fund a major portion of the State's General Fund deficit at that time. In October 2013, a portion of these notes were refunded when the State issued \$314.3 million of General Obligation Refunding Notes which were issued in four series as variable-rate remarketed obligations (VRO) that ultimately mature on January 1, 2018. Any series of these notes may be converted by the State at any time from the VRO rate, which is determined by the remarketing agent on a daily basis, to another interest rate mode – such as an adjusted SIFMA rate mode.

If the State decides to convert the interest rate mode, each holder is required to tender their notes for conversion while the State has agreed to make available supplementary information describing the notes following the conversion. If any tendered VRO's of a series are not successfully remarketed they may continue to be owned by their respective holders until the VRO Special Mandatory Redemption Date. That series of notes in that case would bear interest at a higher stepped-up rate. The liquidity available to purchase tendered notes is only provided by remarketing resources and the State's general fund. In the opinion of management, the higher cost precludes the likelihood of conversion by the State. The original VRO interest rate modes remain in effect at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2017 were \$177.1 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 3.15 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2017 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 177,120	\$ 3,958	\$ 181,078
Total	\$ 177,120	\$ 3,958	\$ 181,078

b. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Final Dates	Original Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2017-2037	2.00-5.75%	\$ 4,087,112	\$ 662,842
School Construction	2017-2037	1.70-5.750%	4,614,441	-
Municipal & Other				
Grants & Loans	2017-2036	1.00-5.632%	2,480,886	943,787
Housing Assistance	2017-2035	1.00-5.460%	427,847	195,951
Elimination of Water Pollution	2017-2035	2.00-5.09%	313,434	34
General Obligation Refunding	2017-2038	2.00-5.25%	3,582,785	-
GAAP Conversion	2017-2027	1.00-5.00%	494,535	-
Pension Obligation	2017-2032	4.75-6.27%	2,217,392	-
Miscellaneous	2017-2034	3.50-5.100%	50,360	31,751
			18,268,792	\$ 1,834,365
Accretion-Various Capital Appreciation Bonds			129,762	
		Total	\$ 18,398,554	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,403,467	\$ 819,965	\$ 2,223,432
2019	1,351,591	763,531	2,115,122
2020	1,295,076	708,077	2,003,153
2021	1,273,786	652,455	1,926,241
2022	1,238,814	646,937	1,885,751
2023-2027	5,704,348	2,420,148	8,124,496
2028-2032	4,562,095	943,211	5,505,306
2033-2037	1,437,505	131,618	1,569,123
2038-2042	2,110	85	2,195
Total	\$ 18,268,792	\$ 7,086,027	\$ 25,354,819

Transportation Related Bonds

Transportation Related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation Related bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2018-2037	2.00-5.740%	\$ 5,041,840	\$ 2,911,718
			5,041,840	\$ 2,911,718
Accretion-Various Capital Appreciation Bonds			-	
		Total	\$ 5,041,840	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 301,345	\$ 241,891	\$ 543,236
2019	295,190	228,146	523,336
2020	293,820	214,067	507,887
2021	308,960	199,907	508,867
2022	289,370	185,150	474,520
2023-2027	1,471,955	706,435	2,178,390
2028-2032	1,356,525	337,082	1,693,607
2033-2037	724,675	66,324	790,999
	<u>\$ 5,041,840</u>	<u>\$ 2,179,002</u>	<u>\$ 7,220,842</u>

c. Primary Government – Business–Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2017-2030	1.5-5.5%	\$ 105,955
Board of Regents	2017-2036	2.0-6.0%	338,745
Clean Water	2017-2035	2.0-5.0%	852,147
Drinking Water	2017-2035	2.0-5.0%	117,943
Bradley Parking Garage	2017-2024	6.5-6.6%	28,015
Total Revenue Bonds			1,442,805
Plus/(Less) premiums and discounts:			
UConn			17,854
Board of Regents			17,963
Clean Water			122,194
Other			17,606
Revenue Bonds, net			<u>\$ 1,618,422</u>

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

In 2000, Bradley Parking Garage bonds were issued in the amount of \$53.8 million to build a parking garage at the airport. As of June 30, 2017, \$28.0 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 90,176	\$ 63,977	\$ 154,153
2019	89,635	61,875	151,510
2020	96,340	57,777	154,117
2021	85,160	53,301	138,461
2022	99,635	49,328	148,963
2023-2027	410,895	184,645	595,540
2028-2032	369,094	88,863	457,957
2033-2037	201,870	22,025	223,895
Total	<u>\$ 1,442,805</u>	<u>\$ 581,791</u>	<u>\$ 2,024,596</u>

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2017-2055	0.0-6.625%	\$ 4,069,091
CT Student Loan Foundation	2034-2046	0.264-2.639%	232,050
CT Higher Education Supplemental Loan Authority	2018-2036	.40-5.25%	157,465
CT Airport Authority	2018-2032	%/1 mth libor	116,290
CT Regional Development Authority	2017-2034	1.00-7.00%	82,685
UConn Foundation	2017-2029	1.90-5.00%	19,955
CT Green Bank	2017-2036	4.19%	2,958
CT Innovations Inc.	2017-2020	2.37-5.25%	1,735
Total Revenue Bonds			4,682,229
Plus/(Less) premiums and discounts:			
CHFA			28,459
CSLF			(542)
CHESLA			3,237
UConn Foundation			(393)
CRDA			(304)
Revenue Bonds, net			<u>\$ 4,712,686</u>

Revenue bonds issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has \$1.7 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72; a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2016, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$3,693.8 million, \$56.6 million, and \$347.2 million respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's General fund, and (3) all monies and securities of the Authority's General and Capital Reserve funds. The resolution and indenture Capital Reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in any succeeding calendar year on all outstanding bonds. The required reserves are \$284.8 million per the resolution and \$4.6 million per the indenture at 12/31/16. As of

December 31, 2016, the Authority has entered into interest rate swap agreements for \$841.2 million of its outstanding variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials, Innovation, and Recycling Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's Revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Capital Reserves

Each Authority has established Special Capital Reserve funds that secure all the outstanding bonds of the Authority at year-end. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so.

The Capital Region Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed \$9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	\$ 140,265	\$ 144,655	\$ 284,920
2019	153,461	138,797	292,258
2020	164,848	134,967	299,815
2021	172,319	129,672	301,991
2022	196,430	124,674	321,104
2023-2027	902,197	533,335	1,435,532
2028-2032	964,820	375,720	1,340,540
2033-2037	809,506	231,890	1,041,396
2038-2042	594,134	124,201	718,335
2043-2047	497,420	96,897	594,317
2048-2052	60,775	11,983	72,758
2053-2057	26,054	6,161	32,215
	<u>\$ 4,682,229</u>	<u>\$ 2,052,952</u>	<u>\$ 6,735,181</u>

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., issues revenue bonds to finance such projects as described previously in the Component Unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2017 were \$370.6 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding at June 30, 2017, were \$8,219.0 million, of which \$338.7 million was secured by Special Capital Reserve funds.

The Materials, Innovation, and Recycling Authority has served as a conduit issuer for debt to fund the construction of waste processing facilities by independent contractor-operators. The outstanding debt is secured by loan agreements, between the authority and independent contractor-operators, which have been assigned to the trustee for the debt, and through additional corporate guarantee agreements between the trustee and third party guarantors. The payment of the debt is not guaranteed by the Authority or the State.

Thus the assets and liabilities related to the debt are not included in the Authority's financial statements. The amount of the debt outstanding at June 30, 2017 is zero.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of \$626.7 million at an average coupon interest rate of 4.73 percent to advance refund \$668.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.86 percent. Although the advance refunding resulted in a \$397 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by \$62.5 million over the next 8 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of \$55.7 million.

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Additional defeasance occurred during the fiscal year when the State issued General Obligation SIFMA index demand bonds totaling \$134.9 million at an average coupon variable interest rate of 1.574 percent. The resulting cash flow savings on the variable interest rate SIFAMA index refunding bonds was \$696.7 thousand.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2017, the outstanding balance of bonds defeased in prior years was approximately \$631.4 million.

Note 18 Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:	Deferred		Deferred		
Pay-fixed interest rate swap	outflow of Resources	\$ 1,031	outflow of Resources	\$ (826)	\$ 20,000

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty (amounts in thousands).

Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Hedge of changes in cash flows of the 2005 GO bonds	\$ 20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
Total Notional Amount	\$ 20,000				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk

As of June 30, 2017, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Basis Risk

The State's variable-rate bond interest payments are based on the CPI floating rate. As of June 30, 2015 the State receives variable-rate payments from the counterparty based on the same CPI floating rate.

Termination Risk

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

Rollover Risk

Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Hedging Derivative Instrument Payments and Hedged Debt

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2017, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	SWAP, Net	
2018	\$ -	\$ 650	\$ 390	\$ 1,040
2019	-	651	389	1,040
2020	20,000	652	388	21,040
	<u>\$ 20,000</u>	<u>\$ 1,953</u>	<u>\$ 1,167</u>	<u>\$ 23,120</u>

Note 19

Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by	
	Purchase of Commercial Insurance	Self- Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than \$100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is \$25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	<u>Governmental Activities Workers' Compensation</u>	<u>Business-Type Activities Medical Malpractice</u>
Balance 6-30-15	\$ 651,184	\$ 26,750
Incurred claims	136,682	9,210
Paid claims	<u>(103,465)</u>	<u>(4,368)</u>
Balance 6-30-16	684,401	31,592
Incurred claims	133,780	-
Paid claims	<u>(100,165)</u>	<u>(6,735)</u>
Balance 6-30-17	<u>\$ 718,016</u>	<u>\$ 24,857</u>

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2017, were as follows (amounts in thousands):

	Balance due to fund(s)											Total
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	
Balance due from fund(s)												
General	\$ -	\$ -	\$ 270	\$ 5	\$ 262,222	\$ 45,101	\$ 38,605	\$ 856	\$ 4,980	\$ 4,263	\$ -	\$ 356,302
Debt Service	-	1,419	-	-	-	-	-	-	-	-	-	1,419
Restricted Grants & Accounts	3,360	-	-	-	-	-	-	-	-	-	6,520	9,880
Grant & Loan Programs	31	-	-	-	-	-	-	-	-	-	-	31
Other Governmental	2,348	-	-	-	16,401	81,692	104,464	-	-	-	-	204,905
UConn	20,904	-	-	-	-	-	-	-	-	-	-	20,904
Board of Regents	4,098	-	-	-	-	-	-	-	-	-	-	4,098
Employment Security	-	-	-	-	439	-	-	-	-	-	-	439
Internal Services	12,931	-	-	-	-	-	-	-	-	-	-	12,931
Fiduciary	-	-	-	-	379	-	-	-	-	1,890	-	2,269
Component Units	36,918	-	992	-	-	-	-	-	-	-	-	37,910
Total	<u>\$ 80,590</u>	<u>\$ 1,419</u>	<u>\$ 1,262</u>	<u>\$ 5</u>	<u>\$ 279,441</u>	<u>\$ 126,793</u>	<u>\$ 143,069</u>	<u>\$ 856</u>	<u>\$ 4,980</u>	<u>\$ 6,153</u>	<u>\$ 6,520</u>	<u>\$ 651,088</u>

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
Amount transferred from fund(s)									
General	\$ -	\$ -	\$ -	\$ -	\$ 89,108	\$ 991,429	\$ 560,058	\$ -	\$ 1,640,595
Debt Service	-	-	-	-	7,294	-	-	-	7,294
Transportation	-	548,532	-	-	-	-	-	-	548,532
Restricted Grants & Accounts	1,051	-	-	-	57,443	-	-	-	58,494
Grants & Loan Programs	-	-	-	-	94,549	-	-	-	94,549
Other Governmental	390,344	44,434	6,430	177,420	768	10,895	114,602	674	745,567
Internal Service	2,250	-	-	-	-	-	-	-	2,250
Employment Security	-	-	-	-	10,176	-	-	-	10,176
Clean Water & Drinking Water	-	-	-	-	526	-	-	-	526
Total	<u>\$ 393,645</u>	<u>\$ 592,966</u>	<u>\$ 6,430</u>	<u>\$ 177,420</u>	<u>\$ 259,864</u>	<u>\$ 1,002,324</u>	<u>\$ 674,660</u>	<u>\$ 674</u>	<u>\$ 3,107,983</u>

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22

Fund Balance Classifications and Restricted Net Position

Fund Balance – Restricted and Assigned

As of June 30, 2017 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	\$ 506,738	\$ -
Environmental Programs	24,751	-
Housing Programs	320,192	-
Employment Security Administration	13,509	-
Banking	2,496	-
Other	97,809	5,207
Total	<u>\$ 965,495</u>	<u>\$ 5,207</u>

Restricted Net Position

As of June 30, 2017, the government-wide statement of net position reported \$3,906 million of restricted net position, of which \$114.8 million was restricted by enabling legislation.

Note 23

Tax Abatements

For financial purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

Film, Television, and Digital Media Tax Program

This program assists film, television and digital media companies with direct financial assistance programs. Including but not limited to loans, grants, and job expansion tax credits structured to incentivize relocation to Connecticut and the growth and development of current Connecticut-based companies.

Beginning after January 1, 2010, (a) an eligible production company that incurs production expenses of not less than \$100 thousand, but not more than \$500 thousand, will be eligible for a credit against the tax imposed equal to ten percent of such production expenses, (b) a production company incurring expenses of more than \$500 thousand, but not more than \$1 million, will be eligible for a credit against the tax imposed equal to fifteen percent of production expenses, and (c) a production company incurring expenses of more than \$1 million will be eligible for a credit against the tax imposed (chapter 207, section 12-217jj) equal to thirty percent of production expenses.

No eligible company incurring an amount of production expenses that qualifies for a tax credit shall be eligible unless on or after January 1, 2010, the company conducts (1) not less than fifty percent of principal filming days within the state, or (2) expends not less than fifty percent of postproduction costs within the state, or (3) expends not less than \$1 million of postproduction costs within the state.

An eligible production company shall apply to the Department of Economic and Community Development (DECD) for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses are incurred in the production of a qualified production, and will provide with the application information that DECD may require to determine if the company is eligible to claim a credit.

Urban and Industrial Sites Reinvestment Tax Program

This tax program is designed to encourage development and redevelopment activities in eligible communities and to encourage private investment in contaminated properties.

In accordance with Chapter 578 section 32-9t of the General Statutes taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit against the tax imposed under chapter 207 and 212a or section 38a-743 in the General Statutes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (a) the income year in which the investment in the project was made and the next two succeeding income years, zero percent; (b) in the third full income year succeeding the year in which the investment was made and the three succeeding years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding year, twenty percent. The sum of all tax credits shall not exceed \$100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed \$950 million.

Tax credits allowed may be claimed by a taxpayer who has made an investment (1) directly only if the investment has a total asset value, either alone or combined with other investors in an eligible project, of not less than \$5 million or, in the case of an investment in an eligible project for the preservation of a historic facility and redevelopment of the facility for combined uses which includes at least four housing units, the total asset value should not be less than \$2 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than \$60 million for the income year for which the initial credit is taken; and (b) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund at the date the investment is made; or (3) through a community development entity or a contractually bound community development entity. A tax credit made through a fund, should only be available for investments in funds that are not open to additional investments beyond the amount set forth at the formation of the fund.

Insurance Reinvestment Fund Program

The purpose of the Insurance Reinvestment Fund Program is to capitalize on the base of local insurance expertise and help people laid off after the massive restructuring of the insurance industry. The program was also intended to encourage small insurance startups and specialty insurance businesses in Connecticut companies engaged in the insurance business or providing services to insurance companies.

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an

insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed \$15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

The tax credit allowed may be claimed by a taxpayer who has invested in an insurance business through a fund (a) which has total assets of not less than \$30 million for the income year for which the initial credit is taken; (b) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and (c) which invests only in insurance businesses that are not related persons to each other.

The credit allowed may only be claimed with respect to an insurance business which (a) occupies the new facility for which an eligibility certificate has been issued by the Commissioner of DECD, or the certificate has been issued as its home office, and (b) employs not less than twenty-five percent of its total work force in new jobs.

The maximum allowed credit shall be \$350 million in total and \$40 million per year.

Enterprise Zone Property Tax Reimbursement Program

The enterprise zone program offers various tax incentives and other benefits to businesses that start up or improve real property in areas designated as enterprise zones. This designation is one of several geographic designations the state uses to target economic development assistance (e.g., distressed municipalities).

In 1981, Connecticut became the first state to establish an enterprise zone program when the legislature authorized the DECD commissioner to designate six zones based on statutory criteria (PA 81-445). Over the past several decades, the legislature has made many changes to the program, including expanding the number of zones, changing the eligibility criteria for zone designation, and adding to the types of businesses eligible for benefits under the program.

In most instances, the legislature authorized the DECD commissioner to approve a specified number of zones according to broad eligibility criteria. For example, the initial two designation rounds authorized a total of 10 zones—four in municipalities with a population of 80,000 or more and six in municipalities with a population of fewer than 80,000. The proposed zones also had to meet specific poverty criteria (e.g., 25 percent of the proposed zone's population had to be below the federal poverty level or unemployed).

However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

There are eighteen enterprise zones currently designated, and one (Wallingford) which has been authorized by the legislature but not yet designated by DECD. The designated enterprise zones are in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

The zones' benefits are generally available to businesses that start up in the zone or that improve property or relocate there. The benefits include: (1) a five-year, state-reimbursed, 80 percent property tax exemption for improving or acquiring manufacturing facilities (see below) and acquiring machinery and equipment. The state generally reimburses the municipality for half the forgone property tax revenue (CGS 12-81 (59)); (2) a 10-year, 25 percent corporate business tax credit attributed to facility improvements. The credit increases to 50 percent for certain businesses that meet resident employment criteria (CGS 12-217e); (3) a seven-year property tax exemption (100 percent in first two years, 50 percent in third, and a decrease to 10 percent in each of the remaining four years), with no state reimbursement, for commercial and residential real property improvements that do not qualify for the 5-year, 80 percent exemption (other than improvements to manufacturing facilities, as defined below) (CGS 32-71); (4) a 10-year corporate business tax credit (100 percent for first three years, 50 percent for next seven years) for starting a new business in an enterprise zone (business must employ a certain number of residents to qualify) (CGS 12-217v).

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research

and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

The law designates municipalities that contain enterprise zones as “targeted investment communities” (TICs), and businesses located in these municipalities, but outside the enterprise zone, are eligible for certain benefits, including: (1) a five-year, state-reimbursed property tax exemption for improving manufacturing facilities. The exemption varies depending on the value of improvements, up to a maximum of 80 percent for improvements valued over \$90 million (CGS 12-81(60)); (2) a 10-year corporate business tax credit attributed to improving manufacturing facilities in TICs. The credit varies from 15 percent to 50 percent depending on the number of new employees (CGS 12-217e).

Information relevant to the disclosure of these programs is as follows:

Tax Abatement Program	Amount of Taxes Abated
The Film, Television, and Digital Media Tax Program <i>Corporate Income Tax (as of 6/30/2016)</i>	\$92,926,361
The Urban and Industrial Sites Reinvestment Tax Program <i>Corporate Income Tax (as of 6/30/16)</i>	41,000,000
The Insurance Reinvestment Fund Program <i>Corporate Income Tax (as of 12/31/2016)</i>	20,000,000
Enterprise Zone Property Tax Reimbursement Program <i>Property Tax (6/30/2015)</i>	4,884,678

Note 24 Related Organizations

The Community Economic Development Fund and Connecticut Health Insurance Exchange are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations governing board. However, the State’s accountability for these organizations does not extend beyond making the appointments.

Note 25 New Accounting Pronouncements

In 2017, The State implemented the following statements issued by the Governmental Accounting Standards Board (“GASB”).

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (Statement No. 74) - GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Tax Abatement Disclosures (Statement No. 77) - This Statement establishes financial reporting standards for tax abatement agreements entered into by the State. The disclosures required by this Statement include tax abatements resulting from (a) agreements that are entered into by the State and (b) agreements that are entered into by other governments that reduce the State’s tax revenues. The adoption of this Statement had no significant impact on the State’s financial statements.

Certain External Investment Pools and Pool Participants (Statement No. 79) – This Statement establishes accounting and financial reporting criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Note 26

Commitments and Contingencies

a. Commitments

Primary Government

Commitments are defined as “existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities.” As of June 30, 2017, the Departments of Transportation and Construction Services had contractual commitments of approximately \$3,151 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program \$3,032 million.

Clean and drinking water loan programs \$387 million.

Various programs and services \$5,425 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2016, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$137.1 million.

b. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

As of June 30, 2016, the State reported an escheat liability of \$387.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of \$411.7 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

c. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

d. Lease/Lease Back Transaction

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. As of June 30, 2017 there were no longer any outstanding balances or commitments under the Agreements or subleases.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 27

Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority are events which took place after their fiscal year end of December 31, 2016.

In December 2017, the State issued \$450.0 million of Taxable General Obligation bonds. The taxable 2017 Series-A bonds mature in 2028 and bear coupon interest rates ranging from 2.30 to 3.75 percent. The bonds will fund economic development, housing projects, higher education technology, Town Road Aid, grants-in-aid to towns, grants to hospitals, Jackson Labs, the Small Business Express program, the Manufacturing Innovation Fund, and the BioScience Innovation Fund.

In December 2017, the State issued \$400.0 million of nontaxable General Obligation Bond Anticipation Notes. The nontaxable 2017 Series-A Notes having a coupon interest rate of 5.0 percent, are expected to be converted to long-term bonds in September 2018. The notes will fund a variety of projects including grants-in-aid to towns and school districts, fire training schools, housing projects, higher education, libraries, environmental and brownfield remediation, Clean Water Fund grants, technology upgrades, and demolition, construction and renovation at state-owned facilities.

In December 2017, the Connecticut Higher Education Supplemental Loan Authority issued \$11.3 million of revenue bonds. The Series C bonds mature in 2034 and bear interest rates ranging from 3.5 to 5.0 percent. The proceeds will support the authority's loan program-Special Capital Reserve fund.

On January 5, 2017, the Connecticut Housing Finance authority (CHFA) issued \$37.4 million of Special Needs Housing Program bonds. On February 6, 2017 \$29.9 million of these proceeds were used to refund a portion of the authority's outstanding bonds and \$9.9 million was used to finance 19 group homes for individuals with special needs.

On March 2, 2017 the Connecticut Housing Finance authority (CHFA) issued \$266 million of Housing Mortgage Finance Program bonds, \$141 million of the proceeds were used to refund a portion of the authority's outstanding bonds. The remaining \$125 million was used for single family loans and mortgage backed security purchases. On the same date, to secure the liquidity and potential remarketing of the 2017 Sub-series A-3 variable rate bonds with a principal balance of \$38 million, CHFA entered into Stand-By Bond Purchase with Landesbank Hessen-Thuringen and a Remarketing Agreement with Merrill Lynch. In addition a new swap agreement effective March 2, 2017 was established with the Royal Bank of Canada. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2016.

CHFA issued Housing Mortgage Finance Program bonds on April 18, 2017 for \$125 million 2017 Series B, on May 11, 2017 for \$175 million 2107 Series C, on August 9, 2017 for \$175 million 2017 Series D, on October 25, 2017 for \$49.9 million 2017 Series E, on November 14, 2017 for \$229.2 million 2017 Series F. The proceeds from these bonds were used for the single family and multifamily programs and to refund prior bonds. On August 1, 2017, CHFA entered into a new Stand-By Bond Purchase Agreement with TD Bank, N.A. and Remarketing Agreement with TD Securities LLC to secure the liquidity and remarketing needs of 2017D-3 variable rate bond in the principal amount of \$50 million issued under the General Resolution. On November 14, 2017, CHFA entered into a new Stand-By-Purchase Agreement with Barclays Bank PLC and Remarketing Agreement with Barclays Capital Inc. to secure the liquidity and remarketing needs of 2017F-3 variable rate bond in the principal amount of \$44.8 million issued under the General Resolution.

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*REQUIRED
SUPPLEMENTARY
INFORMATION*

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REQUIRED SUPPLEMENTARY INFORMATION BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosure for statutory reporting.

The following schedules are included in the Required Supplementary Information for Budget:
Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual
(Budgetary Basis—Non-GAAP):
General Fund and Transportation Fund

Notes to Required Supplementary Information: Statutory Reporting

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL AND TRANSPORTAION FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive negative)
	Budget		Actual	
	Original	Final		
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 15,519,900	\$ 15,052,900	\$ 15,055,526	\$ 2,626
Casino Gaming Payments	267,000	269,900	269,906	6
Licenses, Permits, and Fees	269,200	275,200	275,386	186
Other	393,400	526,900	523,304	(3,596)
Federal Grants	1,257,600	1,325,200	1,325,237	37
Refunds of Payments	(66,100)	(44,200)	(44,199)	1
Operating Transfers In	464,000	447,000	447,015	15
Operating Transfers Out	(58,100)	(58,100)	(58,100)	-
Transfer to/from the Resources of the General Fund	(160,200)	(76,700)	(91,107)	(14,407)
Total Revenues	<u>17,886,700</u>	<u>17,718,100</u>	<u>17,702,968</u>	<u>(15,132)</u>
Expenditures				
Budgeted:				
Legislative	80,274	80,296	66,545	13,751
General Government	602,960	603,158	584,707	18,451
Regulation and Protection	290,735	299,862	274,414	25,448
Conservation and Development	193,090	193,090	181,061	12,029
Health and Hospitals	1,217,226	1,224,852	1,189,787	35,065
Transportation	-	-	-	-
Human Services	3,743,458	3,743,458	3,624,957	118,501
Education, Libraries, and Museums	5,081,647	5,089,114	5,003,922	85,192
Corrections	1,417,988	1,417,988	1,397,113	20,875
Judicial	597,599	597,896	552,370	45,526
Non Functional	4,949,936	4,950,250	4,888,164	62,086
Total Expenditures	<u>18,174,913</u>	<u>18,199,964</u>	<u>17,763,040</u>	<u>436,924</u>
Appropriations Lapsed	<u>190,829</u>	<u>420,061</u>	<u>-</u>	<u>(420,061)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(97,384)</u>	<u>(61,803)</u>	<u>(60,072)</u>	<u>1,731</u>
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	96,559	96,559	96,559	-
Appropriations Continued to Fiscal Year 2018	-	-	(60,237)	(60,237)
Miscellaneous Adjustments	410	1,054	1,054	-
Total Other Financing Sources (Uses)	<u>96,969</u>	<u>97,613</u>	<u>37,376</u>	<u>(60,237)</u>
Net Change in Fund Balance	<u>\$ (415)</u>	<u>\$ 35,810</u>	<u>(22,696)</u>	<u>\$ (58,506)</u>
Budgetary Fund Balances - July 1			46,458	
Changes in Reserves			<u>134,094</u>	
Budgetary Fund Balances - June 30			<u>\$ 157,856</u>	

The information about budgetary reporting is an integral part of this schedule.

State of Connecticut

Transportation Fund

<u>Budget</u>		<u>Variance with Final Budget positive (negative)</u>	
<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(negative)</u>
\$ 1,050,800	\$ 994,900	\$ 996,904	\$ 2,004
-	-	-	-
403,300	386,300	386,939	639
8,500	8,100	8,995	895
12,100	12,100	12,168	68
(3,800)	(4,100)	(4,103)	(3)
-	-	-	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
<u>1,464,400</u>	<u>1,390,800</u>	<u>1,394,403</u>	<u>3,603</u>
-	-	-	-
8,961	8,961	6,221	2,740
77,442	77,442	63,812	13,630
2,799	2,799	2,663	136
-	-	-	-
618,385	618,385	604,733	13,652
2,371	2,371	2,371	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>788,060</u>	<u>788,060</u>	<u>752,050</u>	<u>36,010</u>
1,498,018	1,498,018	1,431,850	66,168
15,300	44,701	-	(44,701)
-	-	-	-
<u>(18,318)</u>	<u>(62,517)</u>	<u>(37,447)</u>	<u>25,070</u>
22,610	22,610	22,610	-
-	-	(30,389)	(30,389)
-	-	-	-
<u>22,610</u>	<u>22,610</u>	<u>(7,779)</u>	<u>(30,389)</u>
<u>\$ 4,292</u>	<u>\$ (39,907)</u>	<u>(45,226)</u>	<u>\$ (5,319)</u>
		165,451	
		<u>7,779</u>	
		<u>\$ 128,004</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund, and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the State Comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2017 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund and Transportation Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between statutory financial data and GAAP financial data.

- Revenues are recorded when received in cash except for certain year-end accruals (statutory basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

State of Connecticut

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).
- For statutory reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

The following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2017. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	\$ (22,696)	\$ (45,226)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	137,398	6,467
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	19,779	1,100
Salaries and Fringe Benefits Payable	22,778	1,621
Increase (Decrease) in Continuing Appropriations	(36,322)	7,779
Fund Reclassification-Bus Operations	-	1,265
Net change in fund balances (GAAP basis)	\$ 120,937	\$ (26,994)

C. Budget Reserve Fund (“Rainy Day Fund”)

In accordance with Section 4-30a of the Connecticut State Statutes, the State maintains a Budget Reserve (“Rainy Day”) Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have been made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. During fiscal year 2018 a withdrawal of \$22.7 million will be made to cover the budgetary shortfall in fiscal year 2017.

After the transfer is made to cover the shortfall in fiscal year 2017 the Budget Reserve Fund will have a balance of \$212.9 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

Changes to the Budget Reserve Fund in PA 15-244

PA 15-244, the fiscal year 2016 and fiscal year 2017 budget bill, establishes, beginning in fiscal year 2021, requires revenue collected from the estimated and final payments portion of the personal income tax and the corporation business tax must be in excess of a calculated threshold to be deposited into the Budget Reserve Fund at the close of each fiscal year. The act allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

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REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

- Schedule of Changes in the Net Pension Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Investment Returns

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION**

Last Ten Fiscal Years*

(Expressed in Thousands)

SERS

Total Pension Liability	2016	2015	2014
Service Cost	\$ 322,114	\$ 310,472	\$ 287,473
Interest	2,105,947	2,052,651	1,998,736
Difference between expected and actual experience	772,762	-	-
Changes of assumptions	4,959,705	-	-
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,098)	(7,124)	(3,935)
Net change in total pension liability	6,424,249	705,534	719,245
Total pension liability - beginning	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	\$ 33,616,716	\$ 27,192,467	\$ 26,486,933
Plan net position			
Contributions - employer	\$ 1,501,805	\$ 1,371,651	\$ 1,268,890
Contributions - member	135,029	187,339	144,807
Net investment income	(100)	294,412	1,443,391
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(651)	-	-
Refunds of contributions	(7,098)	(7,124)	(3,935)
Other	85,608	-	-
Net change in plan net position	(14,588)	195,813	1,290,124
Plan net position - beginning	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	\$ 10,653,792	\$ 10,668,380	\$ 10,472,567
Ratio of plan net position to total pension liability	31.69%	39.23%	39.54%
Net pension liability - ending (a) - (b)	\$ 22,962,924	\$ 16,524,087	\$ 16,014,366
Covered-employee payroll	\$ 3,720,751	\$ 3,618,361	\$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	617.16%	456.67%	459.18%

TRS

Total Pension Liability	2016	2015	2014
Service Cost	\$ 419,616	\$ 404,449	\$ 347,198
Interest	2,228,958	2,162,174	2,090,483
Difference between expected and actual experience	(375,805)	-	-
Changes of assumptions	2,213,190	-	-
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Net change in total pension liability	2,747,828	742,886	700,537
Total pension liability - beginning	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	\$ 29,839,923	\$ 27,092,095	\$ 26,349,209
Plan net position			
Contributions - employer	\$ 975,578	\$ 984,110	\$ 948,540
Contributions - member	293,493	228,100	261,213
Net investment income	(18,473)	452,942	2,277,550
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Other Changes	(37,648)	57,749	(5,307)
Net change in plan net position	(525,181)	(100,836)	1,744,852
Plan net position - beginning	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	\$ 15,594,872	\$ 16,120,053	\$ 16,207,755
Ratio of plan net position to total pension liability	52.26%	59.50%	61.51%
Net pension liability - ending (a) - (b)	\$ 14,245,051	\$ 10,972,042	\$ 10,141,454
Covered-employee payroll	\$ 4,125,066	\$ 4,078,367	\$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	345.33%	269.03%	264.68%

State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION**

Last Ten Fiscal Years*

(Expressed in Thousands)

<u>JRS</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 8,508	\$ 8,142	\$ 7,539
Interest	28,251	27,240	26,301
Difference between expected and actual experience	(9,380)	-	-
Changes of assumptions	64,604	-	-
Benefit payments	(22,994)	(22,541)	(21,668)
Net change in total pension liability	<u>68,989</u>	<u>12,841</u>	<u>12,172</u>
Total pension liability - beginning	<u>364,614</u>	<u>351,773</u>	<u>339,601</u>
Total pension liability - ending (a)	<u>\$ 433,603</u>	<u>\$ 364,614</u>	<u>\$ 351,773</u>
 Plan net position			
Contributions - employer	\$ 18,259	\$ 17,731	\$ 16,298
Contributions - member	1,831	1,791	1,641
Net investment income	1,440	4,781	23,156
Benefit payments	(22,994)	(22,541)	(21,668)
Other	<u>1,680</u>	<u>-</u>	<u>-</u>
Net change in plan net position	216	1,762	19,427
Plan net position - beginning	<u>189,542</u>	<u>187,780</u>	<u>168,353</u>
Plan net position - ending (b)	<u>\$ 189,758</u>	<u>\$ 189,542</u>	<u>\$ 187,780</u>
Ratio of plan net position to total pension liability	43.76%	51.98%	53.38%
 Net pension liability - ending (a) -(b)	<u>\$ 243,845</u>	<u>\$ 175,072</u>	<u>\$ 163,993</u>
Covered-employee payroll	\$ 34,897	\$ 34,972	\$ 33,386
Net pension liability as a percentage of covered-employee payroll	698.76%	500.61%	491.20%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is complied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

(Expressed in Thousands)

<u>SERS</u>	2016	2015	2014	2013
Actuarially determined employer contribution	\$ 1,514,467	\$ 1,379,189	\$ 1,268,935	\$ 1,059,652
Actual employer contributions	<u>1,501,805</u>	<u>1,371,651</u>	<u>1,268,890</u>	<u>1,058,113</u>
Annual contributions deficiency excess	<u>\$ 12,662</u>	<u>\$ 7,538</u>	<u>\$ 45</u>	<u>\$ 1,539</u>
Covered Payroll	\$ 3,720,751	\$ 3,618,361	\$ 3,355,077	\$ 3,304,538
Actual contributions as a percentage of covered-employee payroll	40.36%	37.91%	37.82%	32.02%
 <u>TRS</u>				
Actuarially determined employer contribution	\$ 975,578	\$ 984,110	\$ 948,540	\$ 787,536
Actual employer contributions	<u>975,578</u>	<u>984,110</u>	<u>948,540</u>	<u>787,536</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,125,066	\$ 4,078,367	\$ 3,930,957	\$ 4,101,750
Actual contributions as a percentage of covered-employee payroll	23.65%	24.13%	24.13%	19.20%
 <u>JRS</u>				
Actuarially determined employer contribution	\$ 18,259	\$ 17,731	\$ 16,298	\$ 16,006
Actual employer contributions	<u>18,259</u>	<u>17,731</u>	<u>16,298</u>	<u>16,006</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 34,897	\$ 34,972	\$ 33,386	\$ 31,748
Actual contributions as a percentage of covered-employee payroll	52.32%	50.70%	48.82%	50.42%

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	SERS 25.1 years TRS 20.4 years JRS 15 years
Asset Valuation Method	SERS & JRS 5 year smoothed actuarial value TRS 4 year smoothed market value
Investment Rate of Return	SERS & JRS 6.90% TRS 8%
Salary Increases	3.22%-19.5%
Cost-of-Living Adjustments	1.75%-4.75%
Inflation	2.5%-2.75%
Social Security Wage Base	SERS 3.5%

State of Connecticut

2012	2011	2010	2009	2008	2007
\$ 926,372	\$ 944,077	\$ 897,428	\$ 753,698	\$ 716,944	\$ 663,926
<u>926,343</u>	<u>825,801</u>	<u>720,527</u>	<u>699,770</u>	<u>711,555</u>	<u>663,931</u>
<u>\$ 29</u>	<u>\$ 118,276</u>	<u>\$ 176,901</u>	<u>\$ 53,928</u>	<u>\$ 5,389</u>	<u>\$ (5)</u>
\$ 3,209,782	\$ 3,308,498	\$ 2,920,661	\$ 3,497,400	\$ 3,497,400	\$ 3,310,400
28.86%	24.96%	24.67%	20.01%	20.35%	20.06%
\$ 757,246	\$ 581,593	\$ 559,224	\$ 539,303	\$ 518,560	\$ 412,099
<u>757,246</u>	<u>581,593</u>	<u>559,224</u>	<u>539,303</u>	<u>518,560</u>	<u>412,099</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,943,990	\$ 3,823,754	\$ 3,676,686	\$ 3,529,470	\$ 3,393,717	\$ 3,296,792
19.20%	15.21%	15.21%	15.28%	15.28%	12.50%
\$ 15,095	\$ 16,208	\$ 15,399	\$ 14,172	\$ 13,434	\$ 12,375
<u>15,095</u>	<u>-</u>	<u>-</u>	<u>14,173</u>	<u>13,434</u>	<u>12,375</u>
<u>\$ -</u>	<u>\$ 16,208</u>	<u>\$ 15,399</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 30,308	\$ 33,102	\$ 31,602	\$ 34,000	\$ 33,982	\$ 33,757
49.81%	0.00%	0.00%	41.69%	39.53%	36.66%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS**

Last Four Fiscal Years*

**Annual money-weighted rates of return
net of investment expense**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Employees' Retirement Fund	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	13.04%	1.11%	2.57%	13.66%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS

Required supplementary information for other postemployment benefits provides information on funding progress and employer contributions.

The following schedules are included in the Required Supplementary Information for Other Postemployment Benefits:

- Schedule of Changes in Net OPEB Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Fund Progress
- Schedule of Investment Returns

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State of Connecticut

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION**

Last Fiscal Year

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability	2017
Service Cost	\$ 1,081,923
Interest	849,907
Difference between expected and actual experience	(97,527)
Changes of assumptions	(1,936,042)
Change in benefit terms	(8,853,455)
Benefit payments	<u>(639,467)</u>
Net change in total OPEB liability	(9,594,661)
Total OPEB liability - beginning	<u>27,522,691</u>
Total OPEB liability - ending (a)	<u>\$ 17,928,030</u>
Plan fiduciary net position	
Contributions - employer	\$ 667,401
Contributions - member	120,783
Net investment income	53,194
Benefit payments	(639,467)
Other	<u>(187)</u>
Net change in plan fiduciary net position	201,724
Plan fiduciary net position - beginning	<u>340,618</u>
Plan fiduciary net position - ending (b)	<u>\$ 542,342</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.03%
Net OPEB liability - ending (a) -(b)	<u>\$ 17,385,688</u>
Covered-employee payroll	\$ 3,895,078
Net OPEB liability as a percentage of covered-employee payroll	446.35%

RTHP

Total OPEB Liability	2017
Service Cost	\$ 148,220
Interest	111,129
Benefit Changes	-
Difference between expected and actual experience	-
Changes of assumptions	(370,549)
Benefit payments	<u>(84,071)</u>
Net change in total OPEB liability	(195,271)
Total OPEB liability - beginning	<u>3,734,043</u>
Total OPEB liability - ending (a)	<u>\$ 3,538,772</u>
Plan fiduciary net position	
Contributions - employer	\$ 19,922
Contributions - member	50,436
Net investment income	369
Benefit payments	(84,071)
Administrative expense	(150)
Other	<u>42</u>
Net change in plan fiduciary net position	(13,452)
Plan fiduciary net position - beginning	<u>76,880</u>
Plan fiduciary net position - ending (b)	<u>\$ 63,428</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%
Net OPEB liability - ending (a) -(b)	<u>\$ 3,475,344</u>
Covered-employee payroll	\$ 4,279,755
Net OPEB liability as a percentage of covered-employee payroll	81.20%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Seven and Ten Fiscal Years

(Expressed in Thousands)

<u>SEOPEBP</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 1,043,143	\$ 1,443,716	\$ 1,513,336	\$ 1,525,371	\$ 1,271,279
Actual employer contributions	<u>667,401</u>	<u>608,593</u>	<u>546,284</u>	<u>514,696</u>	<u>542,615</u>
Annual contributions deficiency excess	<u>\$ 375,742</u>	<u>\$ 835,123</u>	<u>\$ 967,052</u>	<u>\$ 1,010,675</u>	<u>\$ 728,664</u>
Covered Payroll	\$ 3,895,078	\$ 3,895,100	\$ 3,539,800	\$ 3,539,728	\$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.13%	15.62%	15.43%	14.54%	15.33%
<u>RTHP</u>					
Actuarially determined employer contribution	\$ 166,802	\$ 130,331	\$ 125,620	\$ 187,227	\$ 180,460
Actual employer contributions	<u>19,922</u>	<u>19,960</u>	<u>25,145</u>	<u>25,955</u>	<u>27,040</u>
Annual contributions deficiency excess	<u>\$ 146,880</u>	<u>\$ 110,371</u>	<u>\$ 100,475</u>	<u>\$ 161,272</u>	<u>\$ 153,420</u>
Covered Payroll	\$ 4,279,755	\$ 3,949,900	\$ 3,831,600	\$ 3,831,600	\$ 3,652,500
Actual contributions as a percentage of covered-employee payroll	0.47%	0.51%	0.66%	0.68%	0.74%

* June 30, 2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2017 and June 30, 2016 for SEOPEBP and RTHP respectively.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	SEOPEBP- Projected Unit Credit RTHP-Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	SEOPEBP- 22 years RTHP-30 years
Asset Valuation Method	Market Value
Investment Rate of Return	SEOPEBP-5.7% RTHP-4.25%
Salary Increases	SEOPEBP-3.75% RTHP-3.25%-6.5%
Inflation	RTHP-2.75%
Claims Trend Assumption	5.00-10.00%

State of Connecticut

<u>2012</u>	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
\$ 1,354,738	\$ 1,276,099	N/A	N/A	N/A
<u>541,262</u>	<u>544,767</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>\$ 813,476</u>	<u>\$ 731,332</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
\$ 3,902,248	\$ 3,902,248	N/A	N/A	N/A
13.87%	13.96%	N/A	N/A	N/A
\$ 184,145	\$ 177,063	\$ 121,333	\$ 116,667	\$ 116,123
<u>49,486</u>	<u>5,312</u>	<u>12,108</u>	<u>22,433</u>	<u>20,770</u>
<u>\$ 134,659</u>	<u>\$ 171,751</u>	<u>\$ 109,225</u>	<u>\$ 94,234</u>	<u>\$ 95,353</u>
\$ 3,652,500	\$ 3,646,000	\$ 3,646,000	\$ 3,399,300	\$ 3,399,300
1.35%	0.15%	0.33%	0.66%	0.61%

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUND PROGRESS**

Last Ten Fiscal Years and Last Eight Fiscal Years

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAAL as a Percentage of Covered Payroll
<u>RTHP</u>						
6/30/2017 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2016	\$-	\$2,997.5	\$2,997.5	0.0%	\$3,949.9	75.9%
6/30/2015 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2014	\$-	\$2,433.0	\$2,433.0	0.0%	\$3,831.6	63.5%
6/30/2013 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2012	\$-	\$3,048.3	\$3,048.3	0.0%	\$3,652.5	83.5%
6/30/2011 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2010	\$-	\$2,997.8	\$2,997.8	0.0%	\$3,646.0	82.2%
6/30/2009 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2008	\$-	\$2,318.8	\$2,318.8	0.0%	\$3,399.3	68.2%
<u>SEOPEBP</u>						
6/30/2017	\$229.6	\$19,119.6	\$18,889.9	1.2%	\$3,895.1	485.0%
6/30/2016 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2015	\$229.6	\$19,119.6	\$18,889.9	1.2%	\$3,895.1	485.0%
6/30/2014 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2013	\$143.8	\$19,676.3	\$19,532.5	0.7%	\$3,539.7	551.8%
6/30/2012 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2011	\$49.6	\$17,954.3	\$17,904.7	0.3%	\$3,902.2	458.8%

*No actuarial valuation was performed.

June 30,2011 was the first year an actuarial valuation for State Employees OPEB Plan was performed.

State of Connecticut

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS**

Last Four Fiscal Years*

**Annual money-weighted rates of return
net of investment expense**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB Fund	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

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*COMBINING FUND
STATEMENTS
AND
SCHEDULES*

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*NONMAJOR
GOVERNMENTAL
FUNDS*

State of Connecticut

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ 39,579	\$ 439,477	\$ 292,646	\$ 686,428	\$ 1,458,130
Investments	-	-	-	-	-	116,653	116,653
Securities Lending Collateral	-	-	-	-	-	8,094	8,094
Receivables:							
Taxes, Net of Allowances	1,380,503	-	139,358	-	-	-	1,519,861
Accounts, Net of Allowances	423,986	-	19,530	138,160	6,531	74,305	662,512
Loans, Net of Allowances	3,419	-	-	46,686	557,203	295,919	903,227
From Other Governments	21,853	-	-	464,033	-	8,822	494,708
Interest	-	1,419	236	-	-	-	1,655
Other	-	-	-	-	-	13	13
Due from Other Funds	43,672	-	1,419	270	5	279,441	324,807
Due from Component Units	36,918	-	-	992	-	-	37,910
Inventories	13,255	-	26,906	-	-	-	40,161
Restricted Assets	-	827,125	-	-	-	-	827,125
Total Assets	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 350,217	\$ -	\$ 31,042	\$ 236,945	\$ 6,650	\$ 95,425	\$ 720,279
Due to Other Funds	356,302	1,419	-	3,360	31	204,905	566,017
Due to Component Units	-	-	-	6,520	-	-	6,520
Due to Other Governments	357,717	-	-	1,342	-	-	359,059
Unearned Revenue	10,263	-	-	-	-	12,049	22,312
Medicaid Liability	256,355	-	-	376,118	-	-	632,473
Liability For Escheated Property	387,182	-	-	-	-	-	387,182
Securities Lending Obligation	-	-	-	-	-	8,094	8,094
Other Liabilities	50,302	-	-	21,683	-	-	71,985
Total Liabilities	<u>1,768,338</u>	<u>1,419</u>	<u>31,042</u>	<u>645,968</u>	<u>6,681</u>	<u>320,473</u>	<u>2,773,921</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	649,686	-	13,835	15,586	6,449	71,982	757,538
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	53,592	-	26,906	-	-	-	80,498
Permanent Fund Principal	-	-	-	-	-	115,072	115,072
Restricted For:							
Debt Service	-	827,125	-	-	-	-	827,125
Transportation Programs	-	-	124,856	-	-	-	124,856
Federal Grant and State Programs	-	-	-	428,064	-	-	428,064
Grants and Loans	-	-	-	-	841,956	-	841,956
Other	-	-	-	-	-	965,495	965,495
Committed For:							
Continuing Appropriations	60,237	-	30,389	-	-	-	90,626
Budget Reserve Fund	212,887	-	-	-	-	-	212,887
Assigned To:							
Grants and Loans	-	-	-	-	1,299	-	1,299
Other	-	-	-	-	-	5,207	5,207
Unassigned	(821,134)	-	-	-	-	(8,554)	(829,688)
Total Fund Balances	<u>(494,418)</u>	<u>827,125</u>	<u>182,151</u>	<u>428,064</u>	<u>843,255</u>	<u>1,077,220</u>	<u>2,863,397</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,923,606</u>	<u>\$ 828,544</u>	<u>\$ 227,028</u>	<u>\$ 1,089,618</u>	<u>\$ 856,385</u>	<u>\$ 1,469,675</u>	<u>\$ 6,394,856</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

State of Connecticut

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	\$ 15,081,933	\$ -	\$ 997,102	\$ 2	\$ -	\$ -	\$ 16,079,037
Licenses, Permits, and Fees	272,860	-	331,109	5,239	-	88,002	697,210
Tobacco Settlement	-	-	-	-	-	123,360	123,360
Federal Grants and Aid	1,992,063	-	12,168	6,158,944	-	67,709	8,230,884
State Grants and Aid	-	-	-	-	-	-	-
Lottery Tickets	326,415	-	-	-	-	-	326,415
Charges for Services	39,146	-	64,403	-	-	1,071	104,620
Fines, Forfeits, and Rents	188,171	-	19,777	-	-	1,000	208,948
Casino Gaming Payments	269,906	-	-	-	-	-	269,906
Investment Earnings	2,332	5,670	3,001	1,406	6,523	10,129	29,061
Interest on Loans	-	-	-	-	-	26	26
Miscellaneous	328,989	34	9,214	1,445,304	25,114	148,234	1,956,889
Total Revenues	<u>18,501,815</u>	<u>5,704</u>	<u>1,436,774</u>	<u>7,610,895</u>	<u>31,637</u>	<u>439,531</u>	<u>28,026,356</u>
Expenditures							
Current:							
Legislative	114,809	-	-	3,512	-	24	118,345
General Government	1,047,920	-	4,583	243,776	541,834	274,813	2,112,926
Regulation and Protection	441,687	-	108,074	162,863	13,919	173,966	900,509
Conservation and Development	245,635	-	4,548	370,448	346,383	162,843	1,129,857
Health and Hospitals	1,696,573	-	-	797,531	79,303	44,712	2,618,119
Transportation	-	-	800,933	746,400	26,441	-	1,573,774
Human Services	4,402,146	-	2,371	4,371,066	2,747	3,552	8,781,882
Education, Libraries, and Museums	4,194,885	-	-	581,632	22,757	2,856	4,802,130
Corrections	2,018,674	-	-	22,497	1,550	2,103	2,044,824
Judicial	918,746	-	-	24,356	-	49,331	992,433
Capital Projects	-	-	-	-	-	998,917	998,917
Debt Service:							
Principal Retirement	1,466,316	270,550	530	-	-	-	1,737,396
Interest and Fiscal Charges	590,212	232,842	627	175,560	3,167	7,377	1,009,785
Total Expenditures	<u>17,137,603</u>	<u>503,392</u>	<u>921,666</u>	<u>7,499,641</u>	<u>1,038,101</u>	<u>1,720,494</u>	<u>28,820,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,364,212</u>	<u>(497,688)</u>	<u>515,108</u>	<u>111,254</u>	<u>(1,006,464)</u>	<u>(1,280,963)</u>	<u>(794,541)</u>
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,159,573	1,951,627	3,111,200
Premiums on Bonds Issued	-	60,565	-	-	95,248	271,511	427,324
Transfers In	393,645	592,966	6,430	177,420	-	259,864	1,430,325
Transfers Out	(1,640,595)	(7,294)	(548,532)	(58,494)	(94,549)	(745,567)	(3,095,031)
Refunding Bonds Issued	-	761,545	-	-	-	-	761,545
Payment to Refunded Bond Escrow Agent	(499)	(821,209)	-	-	-	-	(821,708)
Capital Lease Obligations	4,174	-	-	-	-	-	4,174
Total Other Financing Sources (Uses)	<u>(1,243,275)</u>	<u>586,573</u>	<u>(542,102)</u>	<u>118,926</u>	<u>1,160,272</u>	<u>1,737,435</u>	<u>1,817,829</u>
Net Change in Fund Balances	<u>120,937</u>	<u>88,885</u>	<u>(26,994)</u>	<u>230,180</u>	<u>153,808</u>	<u>456,472</u>	<u>1,023,288</u>
Fund Balances (Deficit) - Beginning	(614,189)	738,240	211,890	197,884	689,447	620,748	1,844,020
Change in Reserve for Inventories	(1,166)	-	(2,745)	-	-	-	(3,911)
Fund Balances (Deficit) - Ending	<u>\$ (494,418)</u>	<u>\$ 827,125</u>	<u>\$ 182,151</u>	<u>\$ 428,064</u>	<u>\$ 843,255</u>	<u>\$ 1,077,220</u>	<u>\$ 2,863,397</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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NONMAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for and report the collection of money that is restricted or committed for specified purposes.

The following are included in the nonmajor special revenue funds:

- Workers' Compensation Administration
- Banking
- Consumer Counsel and Public Utility Control
- Insurance
- Criminal Injuries Compensation
- Regional Market
- Mashantucket Pequot and Mohegan
- Soldiers', Sailors', and Marines
- Employment Security Administration
- Environmental Programs
- Housing Programs

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2017

(Expressed in Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>Banking</u>	<u>Consumer Counsel and Public Utility Control</u>	<u>Insurance</u>	<u>Criminal Injuries</u>
Assets					
Cash and Cash Equivalents	\$ 18,415	\$ 3,444	\$ 9,783	\$ 10,060	\$ 3,580
Investments	-	-	-	-	-
Receivables:					
Accounts, Net of Allowances	-	5	350	43,021	-
Loans, Net of Allowances	-	-	-	-	-
From Other Governments	-	-	-	-	-
From Other Funds	76	-	-	288	7
Total Assets	<u>\$ 18,491</u>	<u>\$ 3,449</u>	<u>\$ 10,133</u>	<u>\$ 53,369</u>	<u>\$ 3,587</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 567	\$ 751	\$ 838	\$ 1,228	\$ -
Unearned Revenue	-	-	6,586	5,463	-
Due to Other Funds	133	198	194	285	-
Total Liabilities	<u>700</u>	<u>949</u>	<u>7,618</u>	<u>6,976</u>	<u>-</u>
Deferred Inflows of Resources					
Receivables to be Collected in Future Periods	<u>-</u>	<u>4</u>	<u>144</u>	<u>43,021</u>	<u>-</u>
Fund Balances					
Restricted	17,791	2,496	2,371	3,372	3,587
Assigned	-	-	-	-	-
Total Fund Balances	<u>17,791</u>	<u>2,496</u>	<u>2,371</u>	<u>3,372</u>	<u>3,587</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 18,491</u>	<u>\$ 3,449</u>	<u>\$ 10,133</u>	<u>\$ 53,369</u>	<u>\$ 3,587</u>

State of Connecticut

Mashantucket Pequot and Mohegan Fund	Regional Market	Soldiers', Sailors', & Marines'	Employment Security Administration	Environmental Programs	Housing Programs	Other	Total
\$ 23	\$ 95	\$ -	\$ 7,932	\$ 11,811	\$ 36,031	\$ 70,010	\$ 171,184
-	-	-	-	1,580	-	-	1,580
-	-	-	-	8	9,787	21,134	74,305
-	-	-	-	11,743	284,176	-	295,919
-	-	-	8,822	-	-	-	8,822
-	-	7,841	444	-	-	174	8,830
<u>\$ 23</u>	<u>\$ 95</u>	<u>\$ 7,841</u>	<u>\$ 17,198</u>	<u>\$ 25,142</u>	<u>\$ 329,994</u>	<u>\$ 91,318</u>	<u>\$ 560,640</u>
\$ -	\$ 33	\$ -	\$ 2,999	\$ 335	\$ 15	\$ 2,063	\$ 8,829
-	-	-	-	-	-	-	12,049
-	9	7,841	690	48	-	116	9,514
<u>-</u>	<u>42</u>	<u>7,841</u>	<u>3,689</u>	<u>383</u>	<u>15</u>	<u>2,179</u>	<u>30,392</u>
-	-	-	-	8	9,787	19,018	71,982
23	53	-	13,509	24,751	320,192	64,914	453,059
-	-	-	-	-	-	5,207	5,207
<u>23</u>	<u>53</u>	<u>-</u>	<u>13,509</u>	<u>24,751</u>	<u>320,192</u>	<u>70,121</u>	<u>458,266</u>
<u>\$ 23</u>	<u>\$ 95</u>	<u>\$ 7,841</u>	<u>\$ 17,198</u>	<u>\$ 25,142</u>	<u>\$ 329,994</u>	<u>\$ 91,318</u>	<u>\$ 560,640</u>

State of Connecticut

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>Banking</u>	<u>Consumer</u> <u>Counsel</u> <u>Public Utility</u> <u>Control</u>	<u>Insurance</u>	<u>Criminal</u> <u>Injuries</u>
Revenues					
Licenses, Permits, and Fees	\$ -	\$ 30,404	\$ 21	\$ 42,885	\$ 892
Tobacco Settlement	-	-	-	-	-
Federal Grants and Aid	-	-	-	-	-
Charges for Services	16	-	-	-	-
Fines, Forfeits, and Rents	-	41	-	-	77
Investment Earnings	212	-	-	665	20
Interest on Loans	-	-	-	-	-
Miscellaneous	23,900	92	27,262	33,442	2,303
Total Revenues	<u>24,128</u>	<u>30,537</u>	<u>27,283</u>	<u>76,992</u>	<u>3,292</u>
Expenditures					
Current:					
Legislative	-	-	-	-	-
General Government	688	-	-	487	-
Regulation and Protection	19,082	21,809	2,398	32,627	-
Conservation and Development	-	670	22,865	-	-
Health and Hospitals	-	-	-	42,797	-
Human Services	2,122	-	-	376	-
Education, Libraries, and Museums	-	-	-	-	-
Corrections	-	-	-	-	-
Judicial	-	3,572	-	-	2,918
Debt Service:					
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>21,892</u>	<u>26,051</u>	<u>25,263</u>	<u>76,287</u>	<u>2,918</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,236</u>	<u>4,486</u>	<u>2,020</u>	<u>705</u>	<u>374</u>
Other Financing Sources (Uses)					
Bonds Issued	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Transfers In	-	-	-	63	-
Transfers Out	-	(11,000)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,000)</u>	<u>-</u>	<u>63</u>	<u>-</u>
Net Change in Fund Balances	2,236	(6,514)	2,020	768	374
Fund Balances - Beginning	15,555	9,010	351	2,604	3,213
Fund Balances-Ending	<u>\$ 17,791</u>	<u>\$ 2,496</u>	<u>\$ 2,371</u>	<u>\$ 3,372</u>	<u>\$ 3,587</u>

State of Connecticut

Mashantucket Pequot and Mohegan Fund	Regional Market	Employment Security Administration	Environmental Programs	Housing Programs	Other	Total
\$ -	\$ -	\$ 3,582	\$ 4,872	\$ -	\$ 5,346	\$ 88,002
-	-	-	-	-	123,360	123,360
-	-	67,709	-	-	-	67,709
-	-	-	-	-	1,055	1,071
-	858	-	-	-	24	1,000
-	1	48	235	95	680	1,956
-	-	-	26	-	-	26
-	-	167	110	2,366	58,186	147,828
<u>-</u>	<u>859</u>	<u>71,506</u>	<u>5,243</u>	<u>2,461</u>	<u>188,651</u>	<u>430,952</u>
-	-	-	-	-	24	24
58,077	-	-	7,496	16,909	189,345	273,002
-	-	83,989	-	-	14,061	173,966
-	940	-	76,856	60,605	530	162,466
-	-	-	-	-	1,912	44,709
-	-	-	-	-	1,054	3,552
-	-	-	-	-	2,823	2,823
-	-	-	-	-	2,103	2,103
-	-	-	-	-	42,841	49,331
-	-	-	260	180	126	566
<u>58,077</u>	<u>940</u>	<u>83,989</u>	<u>84,612</u>	<u>77,694</u>	<u>254,819</u>	<u>712,542</u>
<u>(58,077)</u>	<u>(81)</u>	<u>(12,483)</u>	<u>(79,369)</u>	<u>(75,233)</u>	<u>(66,168)</u>	<u>(281,590)</u>
-	-	-	65,000	105,362	40,001	210,363
-	-	-	8,701	5,549	5,551	19,801
58,100	-	10,176	-	-	191,500	259,839
-	-	-	(8,589)	(5,369)	(147,304)	(172,262)
<u>58,100</u>	<u>-</u>	<u>10,176</u>	<u>65,112</u>	<u>105,542</u>	<u>89,748</u>	<u>317,741</u>
23	(81)	(2,307)	(14,257)	30,309	23,580	36,151
-	134	15,816	39,008	289,883	46,541	422,115
<u>\$ 23</u>	<u>\$ 53</u>	<u>\$ 13,509</u>	<u>\$ 24,751</u>	<u>\$ 320,192</u>	<u>\$ 70,121</u>	<u>\$ 458,266</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities. They are financed principally by debt proceeds.

The following are included in the nonmajor capital projects funds:

- State Facilities
- Infrastructure
- Other Transportation

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

June 30, 2017

(Expressed in Thousands)

	State			
	<u>Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 241,888	267,510	\$ -	\$ 509,398
Receivables:				
Accounts, Net of Allowances	-	-	-	-
Due From Other Funds	<u>270,605</u>	<u>-</u>	<u>-</u>	<u>270,605</u>
Total Assets	<u>\$ 512,493</u>	<u>\$ 267,510</u>	<u>\$ -</u>	<u>\$ 780,003</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 39,776	\$ 46,820	\$ -	\$ 86,596
Due To Other Funds	<u>186,220</u>	<u>449</u>	<u>718</u>	<u>187,387</u>
Total Liabilities	<u>225,996</u>	<u>47,269</u>	<u>718</u>	<u>273,983</u>
Fund Balances				
Restricted	286,497	220,241	-	506,738
Unassigned	<u>-</u>	<u>-</u>	<u>(718)</u>	<u>(718)</u>
Total Fund Balances (Deficit)	<u>286,497</u>	<u>220,241</u>	<u>(718)</u>	<u>506,020</u>
Total Liabilities and Fund Balances	<u>\$ 512,493</u>	<u>\$ 267,510</u>	<u>\$ -</u>	<u>\$ 780,003</u>

State of Connecticut

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	State Facilities	Infrastructure	Transportation	Total
Revenues				
Miscellaneous	\$ 403	\$ -	\$ -	\$ 403
Total Revenues	<u>403</u>	<u>-</u>	<u>-</u>	<u>403</u>
Expenditures				
Capital Projects	241,503	757,414	-	998,917
Debt Service:				
Interest and Fiscal Charges	3,167	3,644	-	6,811
Total Expenditures	<u>244,670</u>	<u>761,058</u>	<u>-</u>	<u>1,005,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(244,267)</u>	<u>(761,058)</u>	<u>-</u>	<u>(1,005,325)</u>
Other Financing Sources (Uses)				
Bonds Issued	941,264	800,000	-	1,741,264
Premium on Bonds Issued	98,796	152,914	-	251,710
Transfer Out	<u>(521,431)</u>	<u>(51,536)</u>	<u>-</u>	<u>(572,967)</u>
Total Other Financing Sources	<u>518,629</u>	<u>901,378</u>	<u>-</u>	<u>1,420,007</u>
Net Change in Fund Balances	274,362	140,320	-	414,682
Fund Balances (Deficit) - Beginning	<u>12,135</u>	<u>79,921</u>	<u>(718)</u>	<u>91,338</u>
Fund Balances (Deficit) - Ending	<u>\$ 286,497</u>	<u>\$ 220,241</u>	<u>\$ (718)</u>	<u>\$ 506,020</u>

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NONMAJOR PERMANENT FUNDS

Permanent funds are used to account for and report the principal and interest earned on investments for the benefit of its citizenry.

The following are included in the nonmajor permanent funds:

Soldiers', Sailors', and Marines'
Connecticut Arts Endowment
Other

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS**

June 30, 2017

(Expressed in Thousands)

	Soldiers', Sailors', & Marines'	Connecticut Arts Endowment	Other	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ 20	\$ 5,826	\$ 5,846
Investments	75,902	19,954	19,217	115,073
Securities Lending Collateral	5,351	1,397	1,346	8,094
Other Receivables	4	1	1	6
Due From Other Funds	-	-	13	13
Total Assets	<u>\$ 81,257</u>	<u>\$ 21,372</u>	<u>\$ 26,403</u>	<u>\$ 129,032</u>
Liabilities and Fund Balance				
Liabilities				
Due To Other Funds	\$ 7,841	\$ -	\$ 163	\$ 8,004
Securities Lending Obligation	5,351	1,397	1,346	8,094
Total Liabilities	<u>13,192</u>	<u>1,397</u>	<u>1,509</u>	<u>16,098</u>
Fund Balances				
Nonspendable:				
Permanent Fund Principal	75,901	19,954	19,217	115,072
Restricted	-	21	5,677	5,698
Unassigned	(7,836)	-	-	(7,836)
Total Fund Balances	<u>68,065</u>	<u>19,975</u>	<u>24,894</u>	<u>112,934</u>
Total Liabilities and Fund Balances	<u>\$ 81,257</u>	<u>\$ 21,372</u>	<u>\$ 26,403</u>	<u>\$ 129,032</u>

State of Connecticut

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR PERMANENT FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Soldiers', Sailors', & Marines'</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Revenues				
Investment Earnings	\$ 5,390	\$ 1,392	\$ 1,391	\$ 8,173
Miscellaneous	<u>2</u>	<u>-</u>	<u>1</u>	<u>3</u>
Total Revenues	<u>5,392</u>	<u>1,392</u>	<u>1,392</u>	<u>8,176</u>
Expenditures				
General Government	1,811	-	-	1,811
Conservation and Development	-	377	-	377
Health and Hospital	-	-	3	3
Education, Libraries, and Museums	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
Total Expenditures	<u>1,811</u>	<u>377</u>	<u>36</u>	<u>2,224</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,581</u>	<u>1,015</u>	<u>1,356</u>	<u>5,952</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(338)	(338)
Transfers In	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(313)</u>	<u>(313)</u>
Net Change in Fund Balances	3,581	1,015	1,043	5,639
Fund Balances - Beginning	<u>64,484</u>	<u>18,960</u>	<u>23,851</u>	<u>107,295</u>
Fund Balances - Ending	<u>\$ 68,065</u>	<u>\$ 19,975</u>	<u>\$ 24,894</u>	<u>\$ 112,934</u>

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account and report activities for which a fee is charged in exchange for goods or services.

The following are included in the nonmajor enterprise funds:

Bradley Parking Garage
Second Injury and Compensation Insurance
Drinking Water

State of Connecticut

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

June 30, 2017

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 43,486	\$ 147	\$ 4,675	\$ 48,308
Accounts Receivable, Net of Allowances	7,800	171	-	7,971
Loans, Net of Allowances	-	-	18,346	18,346
Interest Receivable	-	-	251	251
Due From Other Governments	-	-	603	603
Other	25	-	-	25
Total Current Assets	<u>51,311</u>	<u>318</u>	<u>23,875</u>	<u>75,504</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	-	86,384	86,384
Receivables:				
Loans, Net of Allowances	-	-	129,810	129,810
Restricted Assets	-	15,736	79,117	94,853
Capital Assets, Net of Accumulated Depreciation	-	24,813	-	24,813
Other Noncurrent Assets	-	289	-	289
Total Noncurrent Assets	<u>-</u>	<u>40,838</u>	<u>295,311</u>	<u>336,149</u>
Total Assets	<u>\$ 51,311</u>	<u>\$ 41,156</u>	<u>\$ 319,186</u>	<u>\$ 411,653</u>
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	\$ -	\$ -	\$ 202	\$ 202
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 202</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 7,712	\$ 2,434	\$ 1,378	\$ 11,524
Current Portion of Long-Term Debt	576	2,750	6,779	10,105
Total Current Liabilities	<u>8,288</u>	<u>5,184</u>	<u>8,157</u>	<u>21,629</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Liabilities	1,152	54,878	128,771	184,801
Total Noncurrent Liabilities	<u>1,152</u>	<u>54,878</u>	<u>128,771</u>	<u>184,801</u>
Total Liabilities	<u>\$ 9,440</u>	<u>\$ 60,062</u>	<u>\$ 136,928</u>	<u>\$ 206,430</u>
Net Position (Deficit)				
Net Investment in Capital Assets	\$ -	\$ (3,202)	\$ -	\$ (3,202)
Restricted for:				
Debt Service	-	4,508	-	4,508
Drinking Water Projects	-	-	152,778	152,778
Unrestricted (Deficit)	41,871	(20,212)	29,682	51,341
Total Net Position (Deficit)	<u>\$ 41,871</u>	<u>\$ (18,906)</u>	<u>\$ 182,460</u>	<u>\$ 205,425</u>

State of Connecticut

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Operating Revenues				
Assessments	\$ 36,299	\$ -	\$ -	\$ 36,299
Charges for Sales and Services (Net of discounts \$1,727)	-	27,211	-	27,211
Interest on Loans	-	-	2,944	2,944
Miscellaneous	748	-	-	748
Total Operating Revenues	37,047	27,211	2,944	67,202
Operating Expenses				
Salaries, Wages, and Administrative	7,802	8,171	3,693	19,666
Claims Paid	26,216	-	-	26,216
Depreciation and Amortization	-	1,127	-	1,127
Other	-	-	1,744	1,744
Total Operating Expenses	34,018	9,298	5,437	48,753
Operating Income	3,029	17,913	(2,493)	18,449
Nonoperating Revenues (Expenses)				
Interest and Investment Income	247	78	983	1,308
Interest and Fiscal Charges	-	(2,233)	(3,637)	(5,870)
Other	-	(12,462)	757	(11,705)
Total Nonoperating Income (Expense)	247	(14,617)	(1,897)	(16,267)
Income (Loss) Before Grants and Transfers	3,276	3,296	(4,390)	2,182
Federal Capitalization Grants	-	-	11,614	11,614
Transfers Out	-	-	(526)	(526)
Change in Net Position	3,276	3,296	6,698	13,270
Total Net Position (Deficit) - Beginning	38,595	(22,202)	175,762	192,155
Total Net Position (Deficit) - Ending	\$ 41,871	\$ (18,906)	\$ 182,460	\$ 205,425

State of Connecticut

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Totals
Cash Flows from Operating Activities				
Receipts from Customers	\$ 35,960	\$ 27,255	\$ 12,853	\$ 76,068
Payments to Suppliers	-	(6,189)	(1,744)	(7,933)
Payments to Employees	(7,775)	(1,839)	(3,192)	(12,806)
Other Receipts (Payments)	(25,107)	(849)	(26,687)	(52,643)
Net Cash Provided by (Used in) Operating Activities	<u>3,078</u>	<u>18,378</u>	<u>(18,770)</u>	<u>2,686</u>
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	49,503	49,503
Retirement of Bonds and Annuities Payable	-	(2,580)	(6,653)	(9,233)
Interest of Bonds	-	(2,729)	(3,392)	(6,121)
Transfers Out	-	-	(526)	(526)
Other Receipts (Payments)	-	(12,988)	9,587	(3,401)
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>(18,297)</u>	<u>48,519</u>	<u>30,222</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	-	(93)	-	(93)
Federal Grant	-	-	11,000	11,000
Net Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(93)</u>	<u>11,000</u>	<u>10,907</u>
Cash Flows from Investing Activities				
Interest on Investments	241	78	996	1,315
Other Receipts (Payments)	-	-	(44,399)	(44,399)
Net Cash Flows from Investing Activities	<u>241</u>	<u>78</u>	<u>(43,403)</u>	<u>(43,084)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,319	66	(2,654)	731
Cash and Cash Equivalents - Beginning of Year	40,167	81	7,329	47,577
Cash and Cash Equivalents - End of Year	<u>\$ 43,486</u>	<u>\$ 147</u>	<u>\$ 4,675</u>	<u>\$ 48,308</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ 3,029	\$ 17,913	\$ (2,493)	\$ 18,449
Adjustments not Affecting Cash:				
Depreciation and Amortization	-	1,127	-	1,127
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(448)	45	160	(243)
(Increase) Decrease in Inventories and Other Assets	(9)	406	(16,437)	(16,040)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	506	(1,113)	-	(607)
Total Adjustments	<u>49</u>	<u>465</u>	<u>(16,277)</u>	<u>(15,763)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 3,078</u>	<u>\$ 18,378</u>	<u>\$ (18,770)</u>	<u>\$ 2,686</u>



NONMAJOR INTERNAL SERVICE FUNDS

The internal service funds are used to account for and report the operations of state agencies whose exclusive or nearly exclusive purpose is to provide goods or services to other state agencies on a cost-reimbursement basis.

The following are included in the nonmajor internal service funds:

Correction Industries
Administrative Services
Information Technology

State of Connecticut

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

June 30, 2017

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information & Technology</u>	<u>Administrative Services</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 6,114	\$ 5,934	\$ -	\$ 12,048
Receivables, Net of Allowances	13	63	30	106
Due From Other Funds	435	2,592	1,953	4,980
Inventories	4,123	-	94	4,217
Other Current Assets	19	-	163	182
Total Current Assets	<u>10,704</u>	<u>8,589</u>	<u>2,240</u>	<u>21,533</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	1,916	-	47,000	48,916
Other Noncurrent Assets	-	-	83	83
Total Noncurrent Assets	<u>1,916</u>	<u>-</u>	<u>47,083</u>	<u>48,999</u>
Total Assets	<u>\$ 12,620</u>	<u>\$ 8,589</u>	<u>\$ 49,323</u>	<u>\$ 70,532</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,138	\$ 594	\$ 291	\$ 2,023
Due To Other Funds	-	-	12,931	12,931
Compensated Absences-Current Portion	49	20	20	89
Total Current Liabilities	<u>1,187</u>	<u>614</u>	<u>13,242</u>	<u>15,043</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	705	-	705
Compensated Absences	684	319	358	1,361
Total Noncurrent Liabilities	<u>684</u>	<u>1,024</u>	<u>358</u>	<u>2,066</u>
Total Liabilities	<u>\$ 1,871</u>	<u>\$ 1,638</u>	<u>\$ 13,600</u>	<u>\$ 17,109</u>
Net Position				
Net Investment in Capital Assets	\$ 1,915	\$ -	\$ 47,083	\$ 48,998
Unrestricted (Deficit)	8,834	6,951	(11,360)	4,425
Total Net Position	<u>\$ 10,749</u>	<u>\$ 6,951</u>	<u>\$ 35,723</u>	<u>\$ 53,423</u>

State of Connecticut

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
INTERNAL SERVICE FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information & Technology</u>	<u>Administrative Services</u>	<u>Total</u>
Operating Revenues				
Charges for Sales and Services	\$ 24,654	\$ 3,885	\$ 25,039	\$ 53,578
Miscellaneous	109	-	-	109
Total Operating Revenues	<u>24,763</u>	<u>3,885</u>	<u>25,039</u>	<u>53,687</u>
Operating Expenses				
Salaries, Wages, and Administrative	22,881	3,920	7,255	34,056
Depreciation and Amortization	848	-	17,042	17,890
Total Operating Expenses	<u>23,729</u>	<u>3,920</u>	<u>24,297</u>	<u>51,946</u>
Operating Income	<u>1,034</u>	<u>(35)</u>	<u>742</u>	<u>1,741</u>
Nonoperating Revenue (Expenses)				
Investment Income	440	-	-	440
Other Nonoperating Revenue (Expense)	158	-	(620)	(462)
Total Nonoperating Revenue (Expense)	<u>598</u>	<u>-</u>	<u>(620)</u>	<u>(22)</u>
Income (Loss) before Transfers	<u>1,632</u>	<u>(35)</u>	<u>122</u>	<u>1,719</u>
Transfer Out	<u>(2,250)</u>	<u>-</u>	<u>-</u>	<u>(2,250)</u>
Change in Net Position	(618)	(35)	122	(531)
Total Net Position - Beginning	<u>11,367</u>	<u>6,986</u>	<u>35,601</u>	<u>53,954</u>
Total Net Position - Ending	<u>\$ 10,749</u>	<u>\$ 6,951</u>	<u>\$ 35,723</u>	<u>\$ 53,423</u>

State of Connecticut

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information Technology</u>	<u>Administrative Services</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from Customers	\$ 24,696	\$ 4,075	\$ 25,160	\$ 53,931
Payments to Suppliers	(20,268)	(836)	(9,137)	(30,241)
Payments to Employees	(3,159)	(2,964)	(4,450)	(10,573)
Other Receipts (Payments)	140	-	(2)	138
Net Cash Provided by (Used in) Operating Activities	<u>1,409</u>	<u>275</u>	<u>11,571</u>	<u>13,255</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(486)	-	(10,951)	(11,437)
Net Cash Flows from Capital and Related Financing Activities	<u>(486)</u>	<u>-</u>	<u>(10,951)</u>	<u>(11,437)</u>
Cash Flows from Noncapital Financing Activities				
Other Receipts (Payments)	158	-	(620)	(462)
Transfers Out	(2,250)	-	-	(2,250)
Net Cash Flows from Noncapital Financing Activities	<u>(2,092)</u>	<u>-</u>	<u>(620)</u>	<u>(2,712)</u>
Cash Flows from Investing Activities				
Interest on Investments	440	-	-	440
Net Cash Flows from Investing Activities	<u>440</u>	<u>-</u>	<u>-</u>	<u>440</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(729)	275	-	(454)
Cash and Cash Equivalents - Beginning of Year	6,843	5,659	-	12,502
Cash and Cash Equivalents - End of Year	<u>\$ 6,114</u>	<u>\$ 5,934</u>	<u>\$ -</u>	<u>\$ 12,048</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income	\$ 1,034	\$ (35)	\$ 742	\$ 1,741
Adjustments Not Affecting Cash:				
Depreciation	848	-	17,042	17,890
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	118	-	35	153
(Increase) Decrease in Due From Other Funds	(75)	189	86	200
(Increase) Decrease in Inventories and Other Assets	31	-	(2)	29
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(547)	121	(6,332)	(6,758)
Total Adjustments	<u>375</u>	<u>310</u>	<u>10,829</u>	<u>11,514</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 1,409</u>	<u>\$ 275</u>	<u>\$ 11,571</u>	<u>\$ 13,255</u>



PENSION AND (OTHER EMPLOYEE BENEFIT) TRUST FUNDS

The pension and other employee benefit trust funds are used to account for and report the money that has been contributed by both the employer and the employee for pension benefits. A trustee administers the funds and invests the money, collects the earnings and interest and distributes the benefits.

The following are included in the pension and (other employee benefit) trust funds:

- State Employees
- State Teachers
- Judicial
- Connecticut Municipal Employees
- Probate Judges
- State Employee OPEB Plan
- Retired Teacher Healthcare Plan
- Policemen, Firemen, and Survivors' Benefits

State of Connecticut

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

June 30, 2017

(Expressed in Thousands)

	Pension Trust			
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
Assets				
Current:				
Cash and Cash Equivalents	\$ 10,434	\$ 5,631	\$ 59	\$ 2,637
Receivables:				
Accounts, Net of Allowances	14,976	10,965	32	15,809
From Other Governments	-	580	-	-
From Other Funds	119	6	-	19
Interest	892	1,964	12	141
Investments	11,955,375	17,126,802	210,022	2,441,303
Securities Lending Collateral	741,682	1,024,750	15,844	184,213
Noncurrent:				
Due From Employers	-	-	-	273,875
Total Assets	<u>\$ 12,723,478</u>	<u>\$ 18,170,698</u>	<u>\$ 225,969</u>	<u>\$ 2,917,997</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 19	\$ 9,732	\$ -	\$ -
Securities Lending Obligation	741,682	1,024,750	15,844	184,213
Due to Other Funds	-	1,890	-	-
Total Liabilities	<u>\$ 741,701</u>	<u>\$ 1,036,372</u>	<u>\$ 15,844</u>	<u>\$ 184,213</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 11,981,777	\$ 17,134,326	\$ 210,125	\$ 2,733,784
Total Net Position	<u>\$ 11,981,777</u>	<u>\$ 17,134,326</u>	<u>\$ 210,125</u>	<u>\$ 2,733,784</u>

State of Connecticut

<u>Pension Trust</u>		<u>Other Employee Benefits</u>				
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teacher Healthcare Plan</u>	<u>Policemen, Firemen, and Survivors' Benefits</u>	<u>State Employee OPEB Plan</u>		<u>Total</u>
\$ 17	\$ 352	\$ 60,890	\$ 109	\$ 5,706		\$ 85,835
4	-	7,364	-	-		49,150
-	-	-	-	-		580
-	1	1,897	-	(38)		2,004
6	-	-	2	-		3,017
95,048	1,798	-	32,349	569,440		32,432,137
7,508	154	-	2,244	36,224		2,012,619
-	-	-	-	-		273,875
<u>\$ 102,583</u>	<u>\$ 2,305</u>	<u>\$ 70,151</u>	<u>\$ 34,704</u>	<u>\$ 611,332</u>		<u>\$ 34,859,217</u>
\$ 4	\$ -	\$ 6,722	\$ -	\$ 32,766		\$ 49,243
7,508	154	-	2,244	36,224		2,012,619
-	-	-	-	-		1,890
<u>\$ 7,512</u>	<u>\$ 154</u>	<u>\$ 6,722</u>	<u>\$ 2,244</u>	<u>\$ 68,990</u>		<u>\$ 2,063,752</u>
<u>\$ 95,071</u>	<u>\$ 2,151</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 542,342</u>		<u>\$ 32,795,464</u>
<u>\$ 95,071</u>	<u>\$ 2,151</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 542,342</u>		<u>\$ 32,795,464</u>

State of Connecticut

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFITS) TRUST FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Pension Trust			
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
Additions				
Contributions:				
Plan Members	\$ 132,557	\$ 288,251	\$ 1,689	\$ 27,377
State	1,542,298	1,012,162	19,164	-
Municipalities	-	-	-	69,807
Total Contributions	1,674,855	1,300,413	20,853	97,184
Investment Income	1,544,980	2,251,063	25,021	290,445
Less: Investment Expenses	(35,118)	(51,168)	(569)	(6,618)
Net Investment Income	1,509,862	2,199,895	24,452	283,827
Other	-	1,679	-	524
Total Additions	3,184,717	3,501,987	45,305	381,535
Deductions				
Administrative Expense	674	-	-	-
Benefit Payments and Refunds	1,855,687	1,962,533	24,899	155,407
Other	371	-	39	-
Total Deductions	1,856,732	1,962,533	24,938	155,407
Changes in Net Position	1,327,985	1,539,454	20,367	226,128
Net Position Held in Trust For				
Pension and Other Employee Benefits				
Beginning of Year	10,653,792	15,594,872	189,758	2,507,656
End of Year	\$ 11,981,777	\$ 17,134,326	\$ 210,125	\$ 2,733,784

State of Connecticut

<u>Pension Trust</u>		<u>Other Employee Benefits</u>			
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teacher Healthcare Plan</u>	<u>Policemen, Firemen, and Survivors' Benefits</u>	<u>State Employee OPEB Plan</u>	<u>Total</u>
\$ 254	\$ 44	\$ 102,986	\$ 555	\$ 120,783	\$ 674,496
-	-	19,922	-	667,401	3,260,947
-	-	-	645	-	70,452
<u>254</u>	<u>44</u>	<u>122,908</u>	<u>1,200</u>	<u>788,184</u>	<u>4,005,895</u>
11,541	232	369	3,949	54,431	4,182,031
(262)	(5)	-	(90)	(1,237)	(95,067)
<u>11,279</u>	<u>227</u>	<u>369</u>	<u>3,859</u>	<u>53,194</u>	<u>4,086,964</u>
<u>1,469</u>	<u>2</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>3,716</u>
<u>13,002</u>	<u>273</u>	<u>123,319</u>	<u>5,059</u>	<u>841,378</u>	<u>8,096,575</u>
-	-	5,684	-	-	6,358
5,180	-	131,087	1,222	639,467	4,775,482
-	-	-	-	187	597
<u>5,180</u>	<u>-</u>	<u>136,771</u>	<u>1,222</u>	<u>639,654</u>	<u>4,782,437</u>
<u>7,822</u>	<u>273</u>	<u>(13,452)</u>	<u>3,837</u>	<u>201,724</u>	<u>3,314,138</u>
<u>87,249</u>	<u>1,878</u>	<u>76,880</u>	<u>28,623</u>	<u>340,618</u>	<u>29,481,326</u>
<u>\$ 95,071</u>	<u>\$ 2,151</u>	<u>\$ 63,428</u>	<u>\$ 32,460</u>	<u>\$ 542,342</u>	<u>\$ 32,795,464</u>

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AGENCY FUNDS

Agency funds account for and report resources held by the State as an agent for individuals and private organizations for which the state has custodial responsibility for the flow of assets.

The following are included in the agency funds:

- Fringe Benefit Clearing
- Receipts Pending Distribution
- Insurance Companies' Securities
- State Institution Activity

State of Connecticut

**COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS**

June 30, 2017

(Expressed in Thousands)

	Fringe Benefit Clearing	Receipts Pending Distribution	Insurance Companies' Securities	State Institution Activity	Other	Total
Assets						
Cash and Cash Equivalents	\$ -	\$ 77,421	\$ -	\$ 25,111	\$ 96,312	\$ 198,844
Receivables:						
Accounts, Net of Allowances	-	1,399	-	11	8,978	10,388
From Other Funds	4,149	-	-	-	-	4,149
Interest	-	-	-	16	53	69
Other Assets	-	-	315,606	-	16,029	331,635
Total Assets	<u>\$ 4,149</u>	<u>\$ 78,820</u>	<u>\$ 315,606</u>	<u>\$ 25,138</u>	<u>\$ 121,372</u>	<u>\$ 545,085</u>
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 56,046	\$ -	\$ 440	\$ 103	\$ 56,589
Due To Other Funds	379	-	-	-	-	379
Funds Held for Others	3,770	22,774	315,606	24,698	121,269	488,117
Total Liabilities	<u>\$ 4,149</u>	<u>\$ 78,820</u>	<u>\$ 315,606</u>	<u>\$ 25,138</u>	<u>\$ 121,372</u>	<u>\$ 545,085</u>

State of Connecticut

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Fringe Benefit Clearing</u>				
Assets				
Cash and Cash Equivalents	\$ -			\$ -
From Other Funds	4,149	4,149	4,149	4,149
Total Assets	<u>\$ 4,149</u>	<u>\$ 4,149</u>	<u>\$ 4,149</u>	<u>\$ 4,149</u>
Liabilities				
Due to Other Funds	\$ 347	\$ 379	\$ 347	\$ 379
Funds Held for Others	3,802	3,770	3,802	3,770
Total Liabilities	<u>\$ 4,149</u>	<u>\$ 4,149</u>	<u>\$ 4,149</u>	<u>\$ 4,149</u>
<u>Receipts Pending Distribution</u>				
Assets				
Cash and Cash Equivalents	\$ 63,695	\$ 77,421	\$ 63,695	\$ 77,421
Accounts, Net of Allowances	1,570	1,399	1,570	1,399
Total Assets	<u>\$ 65,265</u>	<u>\$ 78,820</u>	<u>\$ 65,265</u>	<u>\$ 78,820</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 50,508	\$ 56,046	\$ 50,508	\$ 56,046
Funds Held for Others	14,757	22,774	14,757	22,774
Total Liabilities	<u>\$ 65,265</u>	<u>\$ 78,820</u>	<u>\$ 65,265</u>	<u>\$ 78,820</u>
<u>Insurance Companies' Securities</u>				
Assets				
Other Assets	\$ 323,177	\$ 315,606	\$ 323,177	\$ 315,606
Total Assets	<u>\$ 323,177</u>	<u>\$ 315,606</u>	<u>\$ 323,177</u>	<u>\$ 315,606</u>
Liabilities				
Funds Held for Others	\$ 323,177	\$ 315,606	\$ 323,177	\$ 315,606
Total Liabilities	<u>\$ 323,177</u>	<u>\$ 315,606</u>	<u>\$ 323,177</u>	<u>\$ 315,606</u>
<u>State Institution Activity</u>				
Assets				
Cash and Cash Equivalents	\$ 22,654	\$ 25,111	\$ 22,654	\$ 25,111
Accounts, Net of Allowances	57	11	57	11
Interest	6	16	6	16
Other Assets	12	-	12	-
Total Assets	<u>\$ 22,729</u>	<u>\$ 25,138</u>	<u>\$ 22,729</u>	<u>\$ 25,138</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 998	\$ 440	\$ 998	\$ 440
Funds Held for Others	21,731	24,698	21,731	24,698
Total Liabilities	<u>\$ 22,729</u>	<u>\$ 25,138</u>	<u>\$ 22,729</u>	<u>\$ 25,138</u>

continues

State of Connecticut

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

continued

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Other				
Assets				
Cash and Cash Equivalents	\$ 147,567	\$ 96,312	\$ 147,567	\$ 96,312
Accounts, Net of Allowances	-	8,978	-	8,978
Interest	46	53	46	53
Other Assets	<u>29,542</u>	<u>16,029</u>	<u>29,542</u>	<u>16,029</u>
Total Assets	<u>\$ 177,155</u>	<u>\$ 121,372</u>	<u>\$ 177,155</u>	<u>\$ 121,372</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 56	\$ 103	\$ 56	\$ 103
Funds Held for Others	<u>177,099</u>	<u>121,269</u>	<u>177,099</u>	<u>121,269</u>
Total Liabilities	<u>\$ 177,155</u>	<u>\$ 121,372</u>	<u>\$ 177,155</u>	<u>\$ 121,372</u>
Total - All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 233,916	\$ 198,844	\$ 233,916	\$ 198,844
Accounts, Net of Allowances	1,627	10,388	1,627	10,388
From Other Funds	4,149	4,149	4,149	4,149
Interest	52	69	52	69
Other Assets	<u>352,731</u>	<u>331,635</u>	<u>352,731</u>	<u>331,635</u>
Total Assets	<u>\$ 592,475</u>	<u>\$ 545,085</u>	<u>\$ 592,475</u>	<u>\$ 545,085</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 51,562	\$ 56,589	\$ 51,562	\$ 56,589
Due to Other Funds	347	379	347	379
Funds Held for Others	<u>540,566</u>	<u>488,117</u>	<u>540,566</u>	<u>488,117</u>
Total Liabilities	<u>\$ 592,475</u>	<u>\$ 545,085</u>	<u>\$ 592,475</u>	<u>\$ 545,085</u>



NONMAJOR COMPONENT UNITS

The component units listed below are legally separate organizations for which the State is financially accountable.

The following are included in the nonmajor component units:

Connecticut Higher Education Supplemental Loan Authority
Connecticut Health and Educational Facilities Authority
Connecticut Student Loan Foundation
Materials, Innovations, and Recycling Authority
Connecticut Innovations, Incorporated
UConn Foundation
Capital Region Development Authority
Connecticut Green Bank

State of Connecticut

**COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS**

June 30, 2017

(Expressed in Thousands)

	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health and Educational Facilities Authority	Connecticut Student Loan Foundation	Materials, Innovations, and Recycling Authority
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 4,197	\$ 767	\$ 598	\$ 41,605
Investments	-	7,588	-	-
Receivables:				
Accounts, Net of Allowances	-	118	16	4,982
Loans, Net of Allowances	20,755	-	-	-
Interest Receivable	550	-	-	-
Due From Primary Government	-	-	-	-
Restricted Assets	44,060	216,998	29,998	204
Inventories	-	-	-	5,937
Other Current Assets	71	64	1	2,322
Total Current Assets	<u>69,633</u>	<u>225,535</u>	<u>30,613</u>	<u>55,050</u>
Noncurrent Assets:				
Investments	-	-	-	-
Accounts, Net of Allowances	-	-	-	-
Loans, Net of Allowances	100,036	-	228,106	-
Restricted Assets	21,416	6,845	-	-
Capital Assets, Net of Accumulated Depreciation	-	81	-	86,102
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	<u>121,452</u>	<u>6,926</u>	<u>228,106</u>	<u>86,102</u>
Total Assets	<u>\$ 191,085</u>	<u>\$ 232,461</u>	<u>\$ 258,719</u>	<u>\$ 141,152</u>
Deferred Outflows of Resources				
Related to Pensions	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Current Liabilities:				
Accounts Payable & Accrued Liabilities	\$ 880	\$ 179	\$ 1,398	\$ 9,551
Current Portion of Long-Term Obligations	10,000	-	-	-
Due To Primary Government	-	-	-	-
Amounts Held for Institutions	-	216,998	-	-
Other Liabilities	-	-	-	-
Total Current Liabilities	<u>10,880</u>	<u>217,177</u>	<u>1,398</u>	<u>9,551</u>
Noncurrent Liabilities:				
Pension Liability	-	-	-	-
Noncurrent Portion of Long-Term Obligations	150,702	2,176	231,508	5,000
Total Noncurrent Liabilities	<u>150,702</u>	<u>2,176</u>	<u>231,508</u>	<u>5,000</u>
Total Liabilities	<u>\$ 161,582</u>	<u>\$ 219,353</u>	<u>\$ 232,906</u>	<u>\$ 14,551</u>
Deferred Inflows of Resources				
Related to Pensions	\$ -	\$ -	\$ -	\$ -
Other Deferred Inflows	2,000	-	-	-
Total Deferred Inflows of Resources	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position				
Net Investment in Capital Assets	\$ -	\$ 81	\$ -	\$ 86,102
Restricted:				
Expendable Endowments	-	-	-	-
Nonexpendable Endowments	-	-	-	-
Other Purposes	19,076	4,563	6,381	49
Unrestricted	8,427	8,464	19,432	40,450
Total Net Position	<u>\$ 27,503</u>	<u>\$ 13,108</u>	<u>\$ 25,813</u>	<u>\$ 126,601</u>

State of Connecticut

Connecticut Innovations, Incorporated	UConn Foundation	Capital Region Development Authority	Connecticut Green Bank	Total
\$ 66,848	\$ 13,952	\$ 16,498	\$ 37,149	\$ 181,614
973	435,644	-	-	444,205
-	26,562	6,433	2,912	41,023
5,136	-	-	-	25,891
653	-	-	-	1,203
103	-	-	-	103
-	-	7,750	-	299,010
-	-	-	-	5,937
81	-	403	14,060	17,002
<u>73,794</u>	<u>476,158</u>	<u>31,084</u>	<u>54,121</u>	<u>1,015,988</u>
88,987	-	-	-	88,987
-	34,335	-	-	34,335
37,544	-	37,279	-	402,965
36,068	894	4,776	22,063	92,062
112	5,641	294,177	61,511	447,624
97	1,660	1,013	54,057	56,827
<u>162,808</u>	<u>42,530</u>	<u>337,245</u>	<u>137,631</u>	<u>1,122,800</u>
<u>\$ 236,602</u>	<u>\$ 518,688</u>	<u>\$ 368,329</u>	<u>\$ 191,752</u>	<u>\$ 2,138,788</u>
\$ 9,288	\$ -	\$ -	\$ 9,978	\$ 19,266
55	-	-	-	55
<u>\$ 9,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,978</u>	<u>\$ 19,321</u>
\$ 10,113	\$ 6,572	\$ 18,309	\$ 11,877	\$ 58,879
555	-	3,976	2,647	17,178
-	-	36,918	-	36,918
-	-	-	-	216,998
<u>23,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,776</u>
<u>34,444</u>	<u>6,572</u>	<u>59,203</u>	<u>14,524</u>	<u>353,749</u>
28,380	-	-	25,245	53,625
<u>3,934</u>	<u>36,541</u>	<u>86,560</u>	<u>33,298</u>	<u>549,719</u>
<u>32,314</u>	<u>36,541</u>	<u>86,560</u>	<u>58,543</u>	<u>603,344</u>
<u>\$ 66,758</u>	<u>\$ 43,113</u>	<u>\$ 145,763</u>	<u>\$ 73,067</u>	<u>\$ 957,093</u>
\$ 6,675	\$ -	\$ -	\$ -	\$ 6,675
-	-	-	-	2,000
<u>\$ 6,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,675</u>
\$ 112	\$ (541)	\$ 167,323	\$ 561	\$ 253,638
-	99,232	-	-	99,232
-	376,884	-	60,027	436,911
13,972	-	47,597	16,843	108,481
158,428	-	7,646	51,232	294,079
<u>\$ 172,512</u>	<u>\$ 475,575</u>	<u>\$ 222,566</u>	<u>\$ 128,663</u>	<u>\$ 1,192,341</u>

State of Connecticut

**COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS**

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Higher Education Supplemental Loan Authority	\$ 9,828	\$ 9,977	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	9,052	7,793	-	-
Connecticut Student Loan Foundation	9,861	10,412	-	-
Materials, Innovations, and Recycling Authority	79,093	63,426	-	-
Connecticut Innovations, Incorporated	41,153	46,010	-	-
UConn Foundation	48,530	47,638	-	-
Capital Region Development Authority	55,206	51,722	45	2,339
Connecticut Green Bank	39,634	40,412	-	-
Total Nonmajor Component Units	<u>\$ 292,357</u>	<u>\$ 277,390</u>	<u>\$ 45</u>	<u>\$ 2,339</u>

General Revenues:
 Investment Income
 Total General Revenues
 Change in Net Position
 Total Net Position - Beginning (as restated)
 Total Net Position - Ending

State of Connecticut

Net (Expense) Revenue and Changes in Net Position

Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Student Loan Foundation	Materials, Innovations, and Recycling Authority	Connecticut Innovations, Incorporated	UConn Foundation	Capital Region Development Authority	Connecticut Green Bank	<u>Totals</u>
\$ 149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149
-	(1,259)	-	-	-	-	-	-	(1,259)
-	-	551	-	-	-	-	-	551
-	-	-	(15,667)	-	-	-	-	(15,667)
-	-	-	-	4,857	-	-	-	4,857
-	-	-	-	-	(892)	-	-	(892)
-	-	-	-	-	-	(1,100)	-	(1,100)
-	-	-	-	-	-	-	778	778
<u>149</u>	<u>(1,259)</u>	<u>551</u>	<u>(15,667)</u>	<u>4,857</u>	<u>(892)</u>	<u>(1,100)</u>	<u>778</u>	<u>(12,583)</u>
283	84	37	208	7,865	45,653	432	523	55,085
283	84	37	208	7,865	45,653	432	523	55,085
432	(1,175)	588	(15,459)	12,722	44,761	(668)	1,301	42,502
27,071	14,283	25,225	142,060	159,790	430,814	223,234	127,362	1,149,839
<u>\$ 27,503</u>	<u>\$ 13,108</u>	<u>\$ 25,813</u>	<u>\$ 126,601</u>	<u>\$ 172,512</u>	<u>\$ 475,575</u>	<u>\$ 222,566</u>	<u>\$ 128,663</u>	<u>\$ 1,192,341</u>

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Index to Statistical Section

This part of the State of Connecticut’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.

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Fund Balances, Governmental Funds	178
Changes in Fund Balances, Governmental Funds	178

REVENUE CAPACITY INFORMATION

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DEBT CAPACITY INFORMATION

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Ratios of Net General Bonded Debt	188
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DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the State’s financial activities take place and to help make comparisons over time and with other governments.

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OPERATING INFORMATION

These schedules contain information about the State’s operations and a resource to help the reader understand how the State’s financial information relates to the activities it performs.

State Employees by Function	198
Operating Indicators by Function	200
Capital Asset by Function	204

Sources: Unless otherwise noted the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Connecticut

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental Activities:			
Net Invested in Capital Assets	\$ 4,568,371	\$ 4,530,912	\$ 4,957,690
Restricted	2,887,909	1,977,196	1,884,897
Unrestricted	<u>(52,826,131)</u>	<u>(50,635,847)</u>	<u>(47,667,704)</u>
Total Governmental Activities Net Position	<u>\$ (45,369,851)</u>	<u>\$ (44,127,739)</u>	<u>\$ (40,825,117)</u>
Business-Type Activities:			
Net Invested in Capital Assets	\$ 4,126,277	\$ 3,794,464	\$ 3,448,779
Restricted	1,017,929	1,089,692	1,154,457
Unrestricted	<u>1,564,985</u>	<u>1,384,932</u>	<u>895,770</u>
Total Business-Type Activities Net Position	<u>\$ 6,709,191</u>	<u>\$ 6,269,088</u>	<u>\$ 5,499,006</u>
Primary Government:			
Net Invested in Capital Assets	\$ 8,694,648	\$ 8,325,376	\$ 8,406,469
Restricted	3,905,838	3,066,888	3,039,354
Unrestricted	<u>(51,261,146)</u>	<u>(49,250,915)</u>	<u>(46,771,934)</u>
Total Primary Government Net Position	<u>\$ (38,660,660)</u>	<u>\$ (37,858,651)</u>	<u>\$ (35,326,111)</u>

Notes: The governmental activities have a deficit in unrestricted Net Position mainly because the State recognized in the Statement of Net Position the following long-term obligations:

1. General obligation bonds which were issued to finance various grant programs of the State, such as school construction and municipal aid.
2. Other long-term obligations which the State has partially funded or not funded. For example, net pension liabilities, compensated absences obligations, etc.
3. In fiscal year 2014, Bradley International Airport, a major Enterprise fund, was reclassified as a major component unit. Business-type activities for the fiscal years prior to 2014 have been restated to reflect this change.
4. In fiscal year 2015, the State implemented GASB statement No. 68 requiring the reporting of the actuarially determined liability to the pension plan members net of the fiduciary net position of the plans.

State of Connecticut

2014	2013	2012	2011	2010	2009	2008
\$ 5,776,818	\$ 5,824,691	\$ 5,305,440	\$ 4,905,025	\$ 4,910,178	\$ 5,499,602	\$ 4,930,749
1,795,757	2,282,900	1,647,790	1,809,873	1,777,780	1,617,726	1,641,377
<u>(24,943,380)</u>	<u>(23,199,567)</u>	<u>(21,984,094)</u>	<u>(20,764,608)</u>	<u>(20,361,003)</u>	<u>(16,686,518)</u>	<u>(13,460,055)</u>
<u>\$ (17,370,805)</u>	<u>\$ (15,091,976)</u>	<u>\$ (15,030,864)</u>	<u>\$ (14,049,710)</u>	<u>\$ (13,673,045)</u>	<u>\$ (9,569,190)</u>	<u>\$ (6,887,929)</u>
\$ 3,169,151	\$ 3,029,092	\$ 2,810,724	\$ 2,677,999	\$ 2,544,919	\$ 2,499,175	\$ 2,465,734
1,065,211	898,180	995,806	1,051,544	1,157,139	1,359,459	1,649,200
<u>546,492</u>	<u>391,597</u>	<u>360,131</u>	<u>171,738</u>	<u>302,435</u>	<u>373,035</u>	<u>306,755</u>
<u>\$ 4,780,854</u>	<u>\$ 4,318,869</u>	<u>\$ 4,166,661</u>	<u>\$ 3,901,281</u>	<u>\$ 4,004,493</u>	<u>\$ 4,231,669</u>	<u>\$ 4,421,689</u>
\$ 8,945,969	\$ 8,853,783	\$ 8,116,164	\$ 7,583,024	\$ 7,455,097	\$ 7,998,777	\$ 7,396,483
2,860,968	3,181,080	2,643,596	2,861,417	2,934,919	2,977,185	3,290,577
<u>(24,396,888)</u>	<u>(22,807,970)</u>	<u>(21,623,963)</u>	<u>(20,592,870)</u>	<u>(20,058,568)</u>	<u>(16,313,483)</u>	<u>(13,153,300)</u>
<u>\$ (12,589,951)</u>	<u>\$ (10,773,107)</u>	<u>\$ (10,864,203)</u>	<u>\$ (10,148,429)</u>	<u>\$ (9,668,552)</u>	<u>\$ (5,337,521)</u>	<u>\$ (2,466,240)</u>

State of Connecticut

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses					
Governmental Activities:					
Legislative	\$ 128,659	\$ 139,916	\$ 107,629	\$ 122,679	\$ 106,349
General Government	2,281,216	2,544,489	1,712,498	2,060,294	2,036,173
Regulation and Protection	976,521	968,289	1,028,126	905,310	868,187
Conservation and Development	1,220,870	1,103,531	921,859	997,092	665,365
Health and Hospital	2,713,513	2,772,452	2,172,348	2,623,687	2,540,349
Transportation	1,593,860	2,237,773	1,761,500	1,985,288	1,572,755
Human Services	9,470,826	9,115,540	6,736,623	8,272,895	7,471,625
Education, Libraries, and Museums	5,185,450	5,315,342	4,396,212	4,638,713	4,490,144
Corrections	2,211,201	2,307,516	1,820,490	2,142,788	1,976,657
Judicial	1,073,970	1,135,055	873,879	1,004,610	893,860
Interest and Fiscal Charges	<u>877,822</u>	<u>829,246</u>	<u>796,727</u>	<u>922,110</u>	<u>779,515</u>
Total Governmental Activities Expenses	<u>27,733,908</u>	<u>28,469,149</u>	<u>22,327,891</u>	<u>25,675,466</u>	<u>23,400,979</u>
Business-Type Activities:					
University of Connecticut and Health Center	2,310,348	2,255,211	2,154,599	2,050,529	1,872,131
Board of Regents	1,360,029	1,362,522	1,319,274	1,231,024	1,154,913
Employment Security	725,609	686,494	750,573	1,059,631	1,514,674
Clean Water	36,234	38,369	35,125	39,841	50,194
Other	<u>66,328</u>	<u>65,757</u>	<u>69,099</u>	<u>72,674</u>	<u>58,989</u>
Total Business-Type Activities Expenses	<u>4,498,548</u>	<u>4,408,353</u>	<u>4,328,670</u>	<u>4,453,699</u>	<u>4,650,901</u>
Total Primary Government Expenses	<u>\$ 32,232,456</u>	<u>\$ 32,877,502</u>	<u>\$ 26,656,561</u>	<u>\$ 30,129,165</u>	<u>\$ 28,051,880</u>
Program Revenues					
Governmental Activities:					
Charges for Services, Fees, Fines, and Forfeitures	\$ 3,037,950	\$ 1,997,571	\$ 1,902,257	\$ 1,726,200	\$ 1,575,556
Operating Grants and Contributions	7,367,882	7,179,312	7,095,874	6,496,625	5,992,403
Capital Grants and Contributions	<u>863,002</u>	<u>778,909</u>	<u>717,358</u>	<u>610,274</u>	<u>767,793</u>
Total Governmental Activities Program Revenues	<u>11,268,834</u>	<u>9,955,792</u>	<u>9,715,489</u>	<u>8,833,099</u>	<u>8,335,752</u>
Business-Type Activities:					
Charges for Services, Fees, Fines, and Forfeitures	2,886,663	2,819,354	2,599,678	2,546,840	2,484,561
Operating Grants and Contributions	367,287	594,260	676,418	780,137	1,172,820
Capital Grants and Contributions	<u>1,388</u>	<u>6,026</u>	<u>32,807</u>	<u>27,807</u>	<u>51,614</u>
Total Business-Type Activities Program Revenues	<u>3,255,338</u>	<u>3,419,640</u>	<u>3,308,903</u>	<u>3,354,784</u>	<u>3,708,995</u>
Total Primary Government Program Revenues	<u>\$ 14,524,172</u>	<u>\$ 13,375,432</u>	<u>\$ 13,024,392</u>	<u>\$ 12,187,883</u>	<u>\$ 12,044,747</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (16,465,074)	\$ (18,513,357)	\$ (12,612,402)	\$ (16,842,367)	\$ (15,065,227)
Business-Type Activities	<u>(1,243,210)</u>	<u>(988,713)</u>	<u>(1,019,767)</u>	<u>(1,098,915)</u>	<u>(941,906)</u>
Total Primary Government Net Expense	<u>\$ (17,708,284)</u>	<u>\$ (19,502,070)</u>	<u>\$ (13,632,169)</u>	<u>\$ (17,941,282)</u>	<u>\$ (16,007,133)</u>

State of Connecticut

2012	2011	2010	2009	2008
\$ 113,982	\$ 99,542	\$ 105,870	\$ 101,695	\$ 111,910
1,987,920	1,508,994	1,565,653	1,752,751	1,737,917
853,458	780,363	796,124	768,272	788,419
692,719	529,292	565,836	562,507	473,797
2,475,759	2,300,369	2,443,119	2,278,059	2,298,272
1,845,656	1,637,847	1,742,009	1,570,324	1,482,250
7,223,118	6,675,895	6,829,916	6,208,275	5,743,810
4,495,905	4,463,129	4,920,983	4,591,672	4,749,284
2,061,176	1,932,375	2,082,743	2,071,331	2,085,053
910,362	828,124	828,128	793,580	806,309
816,508	873,847	792,950	810,403	733,791
<u>23,476,563</u>	<u>21,629,777</u>	<u>22,673,331</u>	<u>21,508,869</u>	<u>21,010,812</u>
1,801,687	1,806,815	1,703,104	1,725,343	1,626,532
1,129,586	1,132,498	1,098,591	1,085,848	1,018,273
1,823,464	2,306,715	2,700,797	1,573,806	631,935
53,330	45,473	52,761	30,723	27,181
58,152	61,199	78,013	65,091	68,618
<u>4,866,219</u>	<u>5,352,700</u>	<u>5,633,266</u>	<u>4,480,811</u>	<u>3,372,539</u>
<u>\$ 28,342,782</u>	<u>\$ 26,982,477</u>	<u>\$ 28,306,597</u>	<u>\$ 25,989,680</u>	<u>\$ 24,383,351</u>
\$ 1,952,042	\$ 1,647,311	\$ 1,522,375	\$ 1,490,271	\$ 1,447,573
5,770,935	6,350,067	6,113,086	5,552,688	4,271,504
716,056	725,080	765,837	646,416	442,310
<u>8,439,033</u>	<u>8,722,458</u>	<u>8,401,298</u>	<u>7,689,375</u>	<u>6,161,387</u>
2,471,871	2,336,105	2,170,823	2,062,643	1,943,772
1,412,355	1,789,697	1,885,115	907,050	322,936
12,328	34,098	7,386	53,351	32,167
<u>3,896,554</u>	<u>4,159,900</u>	<u>4,063,324</u>	<u>3,023,044</u>	<u>2,298,875</u>
<u>\$ 12,335,587</u>	<u>\$ 12,882,358</u>	<u>\$ 12,464,622</u>	<u>\$ 10,712,419</u>	<u>\$ 8,460,262</u>
\$ (15,037,530)	\$ (12,907,319)	\$ (14,272,033)	\$ (13,819,494)	\$ (14,849,425)
<u>(969,665)</u>	<u>(1,192,800)</u>	<u>(1,569,942)</u>	<u>(1,457,767)</u>	<u>(1,073,664)</u>
<u>\$ (16,007,195)</u>	<u>\$ (14,100,119)</u>	<u>\$ (15,841,975)</u>	<u>\$ (15,277,261)</u>	<u>\$ (15,923,089)</u>

Note: In fiscal year 2014, Bradley International Airport, a major Enterprise fund, was reclassified as a major component unit. Business-type activities for the fiscal years prior to 2014, disclosed in this and the next page, have been restated to reflect this change.

continued

State of Connecticut

CHANGES IN NET POSITION *(Continued)*

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Personal Income	\$ 8,065,612	\$ 9,091,156	\$ 8,186,946	\$ 7,752,553	\$ 7,743,804
Corporate Income	968,438	778,917	687,347	627,100	558,287
Sales and Use	4,226,788	4,224,989	4,167,054	4,116,012	3,953,768
Other	1,882,498	1,231,783	1,735,788	1,796,678	2,327,754
Restricted for Transportation Purposes:					
Motor Fuel	907,641	877,371	846,062	882,107	693,444
Other	90,199	69,752	83,868	82,216	79,000
Casino Gaming Payments	269,906	265,907	267,986	279,873	296,396
Tobacco Settlement	123,360	120,448	118,988	197,138	123,745
Lottery Tickets	326,415	335,387	319,700	319,500	312,100
Unrestricted Investment Earnings	29,061	16,535	22,091	27,313	3,942
Special Items:					
Statutory Payment from Component Units	-	-	-	31,000	-
Other	-	-	-	-	-
Transfers-Internal Activities	<u>(1,666,956)</u>	<u>(1,746,295)</u>	<u>(1,726,281)</u>	<u>(1,547,952)</u>	<u>(1,088,125)</u>
Total Governmental Activities	<u>15,222,962</u>	<u>15,265,950</u>	<u>14,709,549</u>	<u>14,563,538</u>	<u>15,004,115</u>
Business-Type Activities					
Unrestricted Investment Earnings	16,357	12,500	11,638	12,948	16,742
Special Items:					
Other	-	-	-	-	-
Debt Reduction Transfer	-	-	-	-	-
Transfers-Internal Activities	<u>1,666,956</u>	<u>1,746,295</u>	<u>1,726,281</u>	<u>1,547,952</u>	<u>1,088,125</u>
Total Business-Type Activities	<u>1,683,313</u>	<u>1,758,795</u>	<u>1,737,919</u>	<u>1,560,900</u>	<u>1,104,867</u>
Total Primary Government	<u>\$ 16,906,275</u>	<u>\$ 17,024,745</u>	<u>\$ 16,447,468</u>	<u>\$ 16,124,438</u>	<u>\$ 16,108,982</u>
Changes in Net Position					
Governmental Activities	\$ (1,242,112)	\$ (3,247,407)	\$ 2,097,147	\$ (2,278,829)	\$ (61,112)
Business-Type Activities	<u>440,103</u>	<u>770,082</u>	<u>718,152</u>	<u>461,985</u>	<u>162,961</u>
Total Primary Government	<u>\$ (802,009)</u>	<u>\$ (2,477,325)</u>	<u>\$ 2,815,299</u>	<u>\$ (1,816,844)</u>	<u>\$ 101,849</u>
Other Changes in Net Position					
Governmental Activities:					
Prior-Year Adjustments	<u>\$ -</u>	<u>\$ (55,368,000)</u>	<u>\$ (25,551,459)</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>-</u>	<u>(55,368,000)</u>	<u>(25,551,459)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:					
Prior-Year Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ -</u>	<u>\$ (55,368,000)</u>	<u>\$ (25,551,459)</u>	<u>\$ -</u>	<u>\$ -</u>

State of Connecticut

2012	2011	2010	2009	2008
\$ 7,360,165	\$ 6,327,263	\$ 5,773,609	\$ 5,657,309	6,588,233
601,509	726,090	465,980	437,444	548,539
3,880,607	3,365,250	3,150,203	3,301,096	3,537,911
1,953,170	1,655,594	1,455,628	1,407,084	1,544,801
713,477	477,411	494,222	492,566	487,568
76,618	237,242	209,684	196,034	192,663
344,645	359,582	384,248	377,805	411,411
123,799	121,422	128,977	153,819	141,348
310,000	289,300	285,500	283,000	283,000
15,955	18,434	27,681	42,493	131,915
-	-	-	13,150	-
-	-	21,000	-	-
<u>(1,227,570)</u>	<u>(1,080,151)</u>	<u>(1,347,362)</u>	<u>(1,156,590)</u>	<u>(1,062,256)</u>
<u>14,152,375</u>	<u>12,497,437</u>	<u>11,049,370</u>	<u>11,205,210</u>	<u>12,805,133</u>
18,141	20,483	27,468	60,759	98,787
-	-	(21,000)	-	-
-	-	-	85,000	-
<u>1,227,570</u>	<u>1,080,151</u>	<u>1,347,362</u>	<u>1,156,590</u>	<u>1,062,256</u>
<u>1,245,711</u>	<u>1,100,634</u>	<u>1,353,830</u>	<u>1,302,349</u>	<u>1,161,043</u>
<u>\$ 15,398,086</u>	<u>\$ 13,598,071</u>	<u>\$ 12,403,200</u>	<u>\$ 12,507,559</u>	<u>\$ 13,966,176</u>
\$ (885,155)	\$ (409,882)	\$ (3,222,663)	\$ (2,614,284)	\$ (2,044,292)
<u>276,046</u>	<u>(92,166)</u>	<u>(216,112)</u>	<u>(155,418)</u>	<u>87,379</u>
<u>\$ (609,109)</u>	<u>\$ (502,048)</u>	<u>\$ (3,438,775)</u>	<u>\$ (2,769,702)</u>	<u>\$ (1,956,913)</u>
\$ (95,999)	\$ 33,217	\$ (881,193)	\$ (66,976)	\$ -
<u>(95,999)</u>	<u>33,217</u>	<u>(881,193)</u>	<u>(66,976)</u>	<u>-</u>
-	-	-	(21,652)	-
-	-	-	(21,652)	-
<u>\$ (95,999)</u>	<u>\$ 33,217</u>	<u>\$ (881,193)</u>	<u>\$ (88,628)</u>	<u>\$ -</u>

Notes: In fiscal year 2012 the sales tax increased from 6% to 6.35%. Starting in fiscal year 2013, due to the change in fund classification reported on the previous page, lottery ticket sales were reported as general revenue, rather than as "transfer-internal activities" under the governmental activities section reported above. Transfers-internal activities for fiscal years prior to 2013 have been restated to reflect this change. Other changes in Net Position are direct adjustments to the beginning balance of Net Position (See Note 23).

State of Connecticut

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Reserved/Nonspendable, Restricted, Committed or Assigned	\$ 326,716	\$ 384,683	\$ 603,309	\$ 686,017
Unreserved/Unassigned	<u>(821,134)</u>	<u>(998,872)</u>	<u>(793,158)</u>	<u>(727,209)</u>
Total General Fund	<u>\$ (494,418)</u>	<u>\$ (614,189)</u>	<u>\$ (189,849)</u>	<u>\$ (41,192)</u>
All Other Governmental Funds				
Reserved/Nonspendable, Restricted, Committed or Assigned	\$ 2,871,951	\$ 2,466,765	\$ 2,307,993	\$ 2,146,103
Unreserved/Unassigned				
Transportation Fund	-	-	-	-
Special Revenue Funds	-	-	29	-
Capital Projects Funds	(718)	(718)	(718)	(718)
Permanent Funds	<u>(7,836)</u>	<u>(7,959)</u>	<u>(8,042)</u>	<u>(7,070)</u>
Total All Other Governmental Funds	<u>\$ 2,863,397</u>	<u>\$ 2,458,088</u>	<u>\$ 2,299,262</u>	<u>\$ 2,138,315</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
Taxes	\$ 16,079,037	\$ 16,164,452	\$ 15,714,900	\$ 15,222,023
Assessments	-	-	-	-
Licenses, Permits, and Fees	697,210	733,939	680,820	692,028
Tobacco Settlement	123,360	120,448	118,988	197,138
Federal Grants and Aid	8,230,884	7,957,998	7,813,232	7,106,897
Lottery Tickets	326,415	335,387	319,700	319,500
Charges for Services	104,620	109,130	100,465	107,970
Fines, Forfeits, and Rents	208,948	35,491	20,821	97,815
Casino Gaming Payments	269,906	265,907	267,986	279,873
Investment Earnings	29,061	24,484	17,857	26,121
Miscellaneous	<u>1,956,915</u>	<u>1,068,575</u>	<u>1,108,994</u>	<u>853,389</u>
Total Revenues	<u>28,026,356</u>	<u>26,815,811</u>	<u>26,163,763</u>	<u>24,902,754</u>
Expenditures				
Legislative	118,345	124,797	120,879	116,344
General Government	2,112,926	2,307,262	1,943,795	1,952,284
Regulation and Protection	900,509	869,166	1,165,741	858,450
Conservation and Development	1,129,857	1,003,171	1,054,591	945,552
Health and Hospital	2,618,119	2,535,805	2,499,833	2,488,749
Transportation	1,573,774	1,680,900	1,643,229	1,482,632
Human Services	8,781,882	8,345,715	7,762,916	7,835,677
Education, Libraries, and Museums	4,802,130	4,845,487	5,041,968	4,509,914
Corrections	2,044,824	2,086,630	2,069,663	2,030,842
Judicial	992,433	1,030,324	998,193	956,164
Capital Projects	998,917	1,202,184	934,452	955,785
Debt Service:				
Principal	1,737,396	1,636,512	1,421,518	1,323,303
Interest	<u>1,009,785</u>	<u>954,549</u>	<u>904,935</u>	<u>893,737</u>
Total Expenditures	<u>28,820,897</u>	<u>28,622,502</u>	<u>27,561,713</u>	<u>26,349,433</u>
Revenue Over (Under) Expenditure	<u>(794,541)</u>	<u>(1,806,691)</u>	<u>(1,397,950)</u>	<u>(1,446,679)</u>
Other Financing Sources (Uses) and Special Items				
Bonds Issued	3,111,200	2,961,510	2,820,167	2,761,025
Premiums on Bonds Issued	427,324	442,332	386,856	390,556
Transfers In	1,430,325	1,009,021	1,023,698	1,058,913
Transfers Out	(3,095,031)	(2,755,316)	(2,749,979)	(2,606,865)
Refunding Bonds Issued	761,545	721,635	709,210	1,280,710
Payment to Refunded Bond Escrow	<u>(821,708)</u>	<u>(841,226)</u>	<u>(780,530)</u>	<u>(1,378,119)</u>
Capital Lease Obligations	4,174	3,034	3,036	8,828
Special Items:				
Payment from Component Units	-	-	-	31,000
Other	-	-	-	-
Total Other Financing Sources (Uses) and Special Items	<u>1,817,829</u>	<u>1,540,990</u>	<u>1,412,458</u>	<u>1,546,048</u>
Net Change in Fund Balances	<u>\$ 1,023,288</u>	<u>\$ (265,701)</u>	<u>\$ 14,508</u>	<u>\$ 99,369</u>
Debt Service as a Percentage of Noncapital Expenditures	10.20%	9.61%	8.89%	8.94%

NOTE: Starting in fiscal year 2013, lottery ticket sales were reported as revenues, rather than as transfers from the Connecticut Lottery Corporation fund.

This fund is no longer being reported as an enterprise fund, it is being reported as a component unit instead. Transfers were restated to reflect this for fiscal years prior to 2013.

State of Connecticut

2013	2012	2011	2010	2009	2008
\$ 628,429	\$ 233,632	\$ 451,637	\$ 696,149	\$ 1,503,851	\$ 2,052,521
(1,217,051)	(1,146,053)	(1,748,946)	(1,678,971)	(2,303,429)	(1,149,231)
<u>\$ (588,622)</u>	<u>\$ (912,421)</u>	<u>\$ (1,297,309)</u>	<u>\$ (982,822)</u>	<u>\$ (799,578)</u>	<u>\$ 903,290</u>
\$ 2,592,926	\$ 2,608,751	\$ 2,691,530	\$ 1,728,125	\$ 1,647,404	\$ 1,711,007
-	-	-	94,074	89,998	160,745
-	(9)	(1,823)	352,525	247,763	502,679
(718)	(718)	(718)	229,037	181,139	(156,937)
(5,812)	(4,714)	(3,991)	-	-	-
<u>\$ 2,586,396</u>	<u>\$ 2,603,310</u>	<u>\$ 2,684,998</u>	<u>\$ 2,403,761</u>	<u>\$ 2,166,304</u>	<u>\$ 2,217,494</u>

2013	2012	2011	2010	2009	2008
\$ 15,395,003	\$ 14,712,566	\$ 12,602,015	\$ 11,594,568	\$ 11,416,766	\$ 13,014,886
-	-	28,444	27,268	28,129	21,457
617,132	657,446	601,767	611,535	546,871	550,025
123,745	123,799	121,422	128,977	153,819	141,347
6,760,196	6,490,516	7,241,824	6,926,397	6,017,660	4,717,846
312,100	310,000	289,300	285,500	283,000	283,000
103,622	107,327	98,843	98,617	101,500	100,143
74,552	452,358	142,355	86,520	32,841	73,444
296,396	344,645	359,582	384,248	377,805	411,410
3,042	14,386	18,626	27,841	43,287	132,490
804,558	704,405	712,466	704,145	790,010	693,292
<u>24,490,346</u>	<u>23,917,448</u>	<u>22,216,644</u>	<u>20,875,616</u>	<u>19,791,688</u>	<u>20,139,340</u>
109,635	103,512	99,989	98,336	102,088	104,160
1,996,036	1,876,249	1,502,016	1,437,645	1,707,309	1,626,024
883,063	784,002	778,567	734,718	750,473	735,875
668,303	662,823	527,165	504,250	510,887	442,519
2,472,142	2,374,693	2,271,075	2,215,141	2,222,497	2,154,248
1,508,262	1,534,797	1,441,006	1,440,072	1,268,269	1,190,650
7,213,996	6,967,044	6,578,719	6,175,132	6,059,858	5,390,379
4,226,319	4,185,168	4,255,644	4,379,875	4,401,423	6,307,070
1,958,289	1,939,091	1,920,179	1,903,466	2,010,977	1,949,342
893,276	858,339	824,089	762,290	775,711	754,223
757,001	547,212	464,023	435,288	438,724	341,148
1,515,283	1,473,894	1,273,278	1,238,055	1,166,282	1,153,553
888,243	947,102	945,781	935,878	918,633	810,297
<u>25,089,848</u>	<u>24,253,926</u>	<u>22,881,531</u>	<u>22,260,146</u>	<u>22,333,131</u>	<u>22,959,488</u>
(599,502)	(336,478)	(664,887)	(1,384,530)	(2,541,443)	(2,820,148)
1,802,290	1,554,801	1,619,625	2,617,910	1,863,600	3,688,623
216,795	313,715	74,583	189,469	110,560	69,779
953,198	933,231	922,118	772,174	1,040,765	928,444
(2,041,323)	(2,175,501)	(2,005,934)	(2,122,891)	(2,192,545)	(1,993,489)
194,890	1,219,815	412,870	344,105	586,940	231,085
(224,910)	(1,388,158)	(431,550)	(379,015)	(590,397)	(241,560)
3,556	6,084	4,089	-	-	437
-	-	-	-	13,150	-
-	-	-	26,099	-	-
<u>904,496</u>	<u>463,987</u>	<u>595,801</u>	<u>1,421,752</u>	<u>832,073</u>	<u>2,683,319</u>
<u>\$ 304,994</u>	<u>\$ 127,509</u>	<u>\$ (69,086)</u>	<u>\$ 37,222</u>	<u>\$ (1,709,370)</u>	<u>\$ (136,829)</u>
10.40%	10.39%	10.19%	10.36%	10.23%	8.90%

State of Connecticut

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL

Calendar Years 2007 and 2014

(Expressed in Thousands)

<u>Income Level</u>	Calendar Year 2007			
	Number	Percentage	Personal	Percentage
	<u>of Filers</u>	<u>of Total</u>	<u>Income Tax</u>	<u>of Total</u>
			<u>Liability</u>	
\$50,000 and under	811,965	53.6%	\$ 354,701,019	5.1%
\$50,001 - \$100,000	391,252	25.8%	1,144,834,938	16.5%
\$100,001 - \$200,000	216,846	14.3%	1,378,683,663	19.9%
\$200,001 - \$500,000	68,050	4.5%	971,731,870	14.0%
\$500,001 - \$2,000,000	22,076	1.5%	968,858,227	14.0%
\$2,000,000 and up	5,258	0.3%	2,115,938,960	30.5%
Total	1,515,447	100.0%	\$ 6,934,748,677	100.0%

Note: Due to confidentiality issues, the names of the ten largest tax payers are not available.

The categories presented are intended to provide alternative information regarding the sources of the State's tax revenue. Calendar Year 2014 is the most recent year for which the data is available.

Source: Department of Revenue Services reporting for fiscal year ending June 30, 2016.

State of Connecticut

Calendar Year 2014

Number <u>of Filers</u>	Percentage <u>of Total</u>	Personal	
		Income Tax <u>Liability</u>	Percentage <u>of Total</u>
933,421	50.8%	\$ 332,024,874	3.6%
443,730	24.1%	1,262,276,743	13.9%
296,656	16.1%	1,880,617,327	20.6%
115,482	6.3%	1,567,401,528	17.2%
37,572	2.0%	1,529,016,028	16.8%
<u>10,587</u>	<u>0.7%</u>	<u>2,540,826,642</u>	<u>27.9%</u>
<u>1,837,448</u>	<u>100.0%</u>	<u>\$ 9,112,163,142</u>	<u>100.0%</u>

State of Connecticut

PERSONAL INCOME BY MAJOR COMPONENT

Last Ten Calendar Years

(Expressed in Thousands)

Description	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income by place of residence (seasonally adjusted)			
Personal income	\$ 256,225,149	\$ 252,249,206	\$ 246,709,339
Average Effective Rate for Personal Income (note 1)	3.06%	3.23%	3.33%
Derivation of personal income:			
Earnings by place of work	169,971,596	168,342,395	164,941,621
Less: Contributions for government social insurance (note 2):			
Employee and self-employed contributions for government social insurance	8,965,858	8,829,408	8,665,734
Employer contributions for government social insurance	7,868,874	7,788,722	7,707,569
Plus: Adjustment for residence (note 3)	15,103,892	14,818,234	14,271,664
Equals: Net earnings by place of residence	168,240,756	166,542,499	162,839,982
Plus: Dividends, interest, and rent (note 4 & 7)	54,525,505	52,952,710	52,179,464
Plus: Personal current transfer receipts	33,458,888	32,753,997	31,689,893
Components of earnings by place of work:			
Wages and salaries	114,685,688	114,057,180	112,326,830
Supplements to wages and salaries:			
Employer contributions for employee pension and insurance funds (note 5 & 8)	17,338,397	17,392,404	17,036,521
Employer contributions for government social insurance	7,868,874	7,788,722	7,707,569
Proprietors' income (note 6 & 9):			
Farm proprietors' income	(17,080)	(8,148)	(9,627)
Nonfarm proprietors' income	30,095,717	29,112,237	27,880,328

Notes:

1. Nonfarm personal income is total personal income less farm income.
2. Farm income is farm earnings less farm employer contributions for government social insurance.
3. Census Bureau midyear population estimate. Estimates for 2010-2014 reflect Census Bureau midyear state population estimates available as of December 2014. Estimates for 2015 are derived from the quarterly state population estimates produced by BEA based on unpublished Census Bureau data.
4. Per capita personal income is total personal income divided by total midyear population.
5. Employer contributions for government social insurance are included in earnings by industry and earnings by place of work, but they are excluded from net earnings by place of residence and personal income. Employee and self-employed contributions are subtractions in the calculation of net earnings by place of residence and all of the income measures.
6. The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers and U.S. residents employed by international organizations and foreign embassies.
7. Rental income of persons includes the capital consumption adjustment.
8. Includes actual employer contributions and actuarially imputed employer contributions to reflect benefits accrued by defined benefit pension plan participants through services to employers in the current period.
9. Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.

Note-- All dollar estimates are in current dollars (not adjusted for inflation).

(NA) Data not available for this year.

Last updated: March 24, 2016-- new estimates for 2015. In 2015 details may not add to totals because of rounding.

Sources: U. S. Bureau of Economic Analysis and Department of Revenue Services

State of Connecticut

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 239,829,273 3.27%	\$ 230,614,799 3.24%	\$ 233,710,888 3.14%	\$ 229,211,506 2.82%	\$ 222,404,940 2.56%	\$ 215,234,464 2.45%	\$ 217,101,744 3.25%
160,754,656	155,343,894	156,192,927	158,317,960	156,297,304	153,795,727	152,435,704
8,440,527	8,122,502	6,120,443	6,013,172	7,356,564	7,305,130	7,534,646
7,504,621	7,331,676	7,213,262	6,989,204	6,668,227	6,622,346	6,754,848
13,158,832	12,662,206	13,518,623	11,709,612	11,261,423	9,198,888	9,737,699
157,968,340	152,551,922	156,377,845	157,025,196	153,533,936	149,067,139	147,883,909
51,244,356	48,198,709	47,804,030	43,030,842	39,824,720	38,927,922	44,650,263
30,616,577	29,864,168	29,529,013	29,155,468	29,046,284	27,239,403	24,567,572
109,039,641	105,486,854	104,278,374	101,598,704	97,848,445	96,206,697	101,501,573
16,701,290	16,521,067	16,454,330	16,635,251	16,374,300	15,882,011	16,093,842
7,504,621	7,331,676	7,213,262	6,989,204	6,668,227	6,622,346	6,754,848
(12,648)	15,905	(2,111)	4,641	2,387	(3,767)	753
27,521,752	25,988,392	28,249,072	33,090,160	35,403,945	35,088,440	28,084,688

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State of Connecticut

PERSONAL INCOME TAX RATES

Calendar Years 2008 through 2017

(Expressed in Thousands)

Annual Income Tax Rates are applied to Taxable Income in excess of the following brackets					
Year	Median Rate	Single/ Married Filing Separate	Married Filing Jointly	Head of Household	Average Effective Rate
2008	5.00%	\$10,000	\$20,000	\$16,000	3.25%
2009	5.00%	\$10,000	\$20,000	\$16,000	2.45%
2010	5.00%	\$10,000	\$20,000	\$16,000	2.56%
Income Tax Rates are applied to Taxable Income by income range for the same brackets					
<u>For taxable years commencing on or after January 1, 2015:</u> ^[2]					
	5.00%	\$10,000 - \$50,000	\$20,000 - \$100,000	\$16,000 - \$80,000	1.85%
	5.50%	\$50,000 - \$100,000	\$100,000 - \$200,000	\$80,000 - \$160,000	1.85%
	6.00%	\$100,000 - \$200,000	\$200,000 - \$400,000	\$160,000 - \$320,000	1.85%
	6.50%	\$200,000 - \$250,000	\$400,000 - \$500,000	\$320,000 - \$400,000	1.85%
	6.90%	\$250,000 - \$500,000	\$500,000 - \$1,000,000	\$400,000 - \$800,000	1.85%
	6.99%	greater than \$500,000	greater than \$1,000,000	greater than \$800,000	1.85%
<u>For taxable years commencing prior to January 1, 2015:</u>					
	6.70%	greater than \$250,000	greater than \$500,000	greater than \$400,000	1.85%

Notes:

[1] Taxable income equal to or less than amounts listed this year is taxed at a rate of 3%. Effective calendar year 2015, the following exemption amounts apply: \$14,500 singles, \$12,000 for filing separately, \$19,000 head of household and \$24,000 filing jointly. The exemption amount is reduced by \$1,000 for each \$1,000, or fraction thereof, by which AGI exceeds \$29,000 for singles, \$24,000 for filing separately, \$56,000 for head of household and \$48,000 for filing jointly.

[2] Taxable income equal to or less than amounts listed this year is taxed at a rate of 3% except as follows. The amount to which the 3% rate applies is reduced by \$1,000 for each \$5,000, or fraction thereof, by which AGI exceeds \$56,500 for singles and by \$1,000 for each \$2,500 for filing separately, by \$1,600 for each \$4,000 for head of household and by \$2,000 for each \$5,000 or fraction thereof, by which AGI exceeds \$56,500, \$50,250, \$78,500 and \$100,500 for single, filing separately, head of household, and filing jointly.

The average effective rate equals the fiscal year's net tax collections divided by prior-year total personal income based on statistics provided by the U. S. Bureau of Economic Analysis.

Source: Department of Revenue Services - Annual Report.

State of Connecticut

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Expressed in Thousands)

	2017	2016	2015	2014
Estimated General Fund Tax Receipts	\$ 15,519,900	\$ 15,519,900	\$ 15,711,565	\$ 14,334,000
Statutory Multiplier	1.6	1.6	1.6	1.6
Statutory Debt Limit for Debt Incurred	24,831,840	24,831,840	25,138,504	22,934,400
Less: Authorized Bonds, Notes, and Other Obligations Subject to Certain Limitations	21,206,270	21,886,034	21,520,230	18,456,323
Legal Debt Margin	\$ 3,625,570	\$ 2,945,806	\$ 3,618,274	\$ 4,478,077
Legal Debt Margin as a percentage of the debt limit	14.60%	11.86%	14.39%	19.53%
Date Calculation was made	2/15/17	7/1/16	7/1/15	12/15/13

Source: State of Connecticut General Obligation Bonds Offering Statement dated May 2017

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 14,334,000	\$ 14,019,100	\$ 14,019,100	\$ 10,927,600	\$ 12,971,100	\$ 12,453,200
<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
22,934,400	22,430,560	22,430,560	17,484,160	20,753,760	19,925,120
<u>18,970,659</u>	<u>15,180,510</u>	<u>15,493,181</u>	<u>15,110,495</u>	<u>14,876,927</u>	<u>14,266,573</u>
<u>\$ 3,963,741</u>	<u>\$ 7,250,050</u>	<u>\$ 6,937,379</u>	<u>\$ 2,373,665</u>	<u>\$ 5,876,833</u>	<u>\$ 5,658,547</u>
<u>17.28%</u>	<u>32.32%</u>	<u>30.93%</u>	<u>13.58%</u>	<u>28.32%</u>	<u>28.40%</u>
7/1/13	2/1/12	10/1/11	2/1/10	2/1/09	2/1/08

State of Connecticut

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Expressed in Thousands)

	2017	2016	2015	2014
Governmental Activities				
General Obligation Bonds	\$ 18,398,554	\$ 17,394,622	\$ 16,402,537	\$ 15,281,579
Transportation Obligation Bonds	5,041,840	4,519,690	4,089,540	3,771,260
Long-Term Notes	177,120	352,585	520,275	580,775
Capital Leases	30,900	32,342	35,368	37,820
Total Governmental Activities	<u>23,648,414</u>	<u>22,299,239</u>	<u>21,047,720</u>	<u>19,671,434</u>
Business-Type Activities				
Revenue Bonds	1,442,805	1,246,681	1,356,779	1,212,681
Total Business-Type Activities	<u>1,442,805</u>	<u>1,246,681</u>	<u>1,356,779</u>	<u>1,212,681</u>
Total Primary Government	<u>\$ 25,091,219</u>	<u>\$ 23,545,920</u>	<u>\$ 22,404,499</u>	<u>\$ 20,884,115</u>
Debt as a Percentage of Personal Income	9.79%	9.33%	9.08%	8.71%
Amount of Debt Per Capita	\$7,003	\$6,564	\$6,234	\$5,806

Notes: Details regarding the State's debt can be found in Note 17 of the financial statements.

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Expressed in Thousands)

	2017	2016	2015	2014
General Obligation Bonds	\$ 18,398,554	\$ 17,394,622	\$ 16,402,537	\$ 15,281,579
Transportation Obligation Bonds	5,041,840	4,519,690	4,089,540	3,771,260
Debt Service Fund Balance	(827,125)	(738,240)	(668,426)	(659,543)
Net General Obligation Bonded Debt	<u>\$ 22,613,269</u>	<u>\$ 21,176,072</u>	<u>\$ 19,823,651</u>	<u>\$ 18,393,296</u>
Net General Obligation Debt as a Percentage of Personal Income	8.83%	8.39%	8.04%	7.67%
Amount of Net GO Debt Per Capita	\$6,304	\$5,904	\$5,516	\$5,114

Notes: Details regarding the State's debt can be found in Note 17 of the financial statements.

State of Connecticut

2013	2012	2011	2010	2009	2008
\$ 14,228,228	\$ 13,964,576	\$ 13,794,340	\$ 13,592,708	\$ 13,443,525	\$ 13,092,570
3,461,875	3,287,340	3,357,595	3,030,485	2,817,015	2,790,682
573,365	747,935	915,795	1,143,955	228,160	-
38,218	42,759	42,995	41,702	47,129	51,748
<u>18,301,686</u>	<u>18,042,610</u>	<u>18,110,725</u>	<u>17,808,850</u>	<u>16,535,829</u>	<u>15,935,000</u>
<u>1,376,698</u>	<u>1,439,345</u>	<u>1,556,218</u>	<u>1,498,380</u>	<u>1,601,797</u>	<u>1,358,084</u>
<u>1,376,698</u>	<u>1,439,345</u>	<u>1,556,218</u>	<u>1,498,380</u>	<u>1,601,797</u>	<u>1,358,084</u>
<u>\$ 19,678,384</u>	<u>\$ 19,481,955</u>	<u>\$ 19,666,943</u>	<u>\$ 19,307,230</u>	<u>\$ 18,137,626</u>	<u>\$ 17,293,084</u>
8.53%	8.34%	8.58%	8.68%	8.43%	7.97%
\$5,472	\$5,427	\$5,492	\$5,399	\$5,092	\$4,877

2013	2012	2011	2010	2009	2008
\$ 14,228,228	\$ 13,964,576	\$ 13,794,340	\$ 13,592,708	\$ 13,443,525	\$ 13,092,570
3,461,875	3,287,340	3,357,595	3,030,485	2,817,015	2,790,682
(660,113)	(703,376)	(708,645)	(687,752)	(679,384)	(683,636)
<u>\$ 17,029,990</u>	<u>\$ 16,548,540</u>	<u>\$ 16,443,290</u>	<u>\$ 15,935,441</u>	<u>\$ 15,581,156</u>	<u>\$ 15,199,616</u>
7.38%	7.08%	7.17%	7.17%	7.24%	7.00%
\$4,736	\$4,610	\$4,592	\$4,456	\$4,374	\$4,286

State of Connecticut

PLEGED-REVENUE COVERAGE

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
University of Connecticut and Health Center				
Gross Revenues	\$ 2,629,793	\$ 2,465,794	\$ 2,463,391	\$ 2,236,397
Operating Expenses	<u>2,153,495</u>	<u>2,134,537</u>	<u>2,015,393</u>	<u>1,915,644</u>
Net Available Revenues	<u>\$ 476,298</u>	<u>\$ 331,257</u>	<u>\$ 447,998</u>	<u>\$ 320,753</u>
Debt Service:				
Principal	\$ 90,618	\$ 105,525	\$ 17,764	\$ 17,810
Interest	<u>50,552</u>	<u>68,696</u>	<u>55,306</u>	<u>50,069</u>
Total	<u>\$ 141,170</u>	<u>\$ 174,221</u>	<u>\$ 73,070</u>	<u>\$ 67,879</u>
Coverage	3.37	1.90	6.13	4.73
Board of Regents				
Gross Revenues	\$ 1,364,895	\$ 1,473,844	\$ 835,169	\$ 815,596
Operating Expenses	<u>1,222,393</u>	<u>1,368,422</u>	<u>709,352</u>	<u>651,797</u>
Net Available Revenues	<u>\$ 142,502</u>	<u>\$ 105,422</u>	<u>\$ 125,817</u>	<u>\$ 163,799</u>
Debt Service:				
Principal	\$ 7,493	\$ 20,247	\$ 42,791	\$ 18,052
Interest	<u>13,467</u>	<u>12,158</u>	<u>14,064</u>	<u>11,654</u>
Total	<u>\$ 20,960</u>	<u>\$ 32,405</u>	<u>\$ 56,855</u>	<u>\$ 29,706</u>
Coverage	6.80	3.25	2.21	5.51
Clean Water				
Gross Revenues	\$ 52,818	\$ 46,135	\$ 49,684	\$ 56,751
Operating Expenses	<u>579</u>	<u>925</u>	<u>1,291</u>	<u>3,093</u>
Net Available Revenues	<u>\$ 52,239</u>	<u>\$ 45,210</u>	<u>\$ 48,393</u>	<u>\$ 53,658</u>
Debt Service:				
Principal	\$ 61,232	\$ 73,802	\$ 70,351	\$ 70,603
Interest	<u>32,628</u>	<u>33,811</u>	<u>29,717</u>	<u>32,582</u>
Total	<u>\$ 93,860</u>	<u>\$ 107,613</u>	<u>\$ 100,068</u>	<u>\$ 103,185</u>
Coverage	0.56	0.42	0.48	0.52
Bradley Parking Garage				
Gross Revenues	\$ 27,289	\$ 26,702	\$ 25,578	\$ 24,640
Operating Expenses	<u>22,866</u>	<u>19,778</u>	<u>9,254</u>	<u>8,828</u>
Net Available Revenues	<u>\$ 4,423</u>	<u>\$ 6,924</u>	<u>\$ 16,324</u>	<u>\$ 15,812</u>
Debt Service:				
Principal	\$ 2,580	\$ 2,415	\$ 2,265	\$ 2,120
Interest	<u>2,729</u>	<u>2,442</u>	<u>3,112</u>	<u>2,987</u>
Total	<u>\$ 5,309</u>	<u>\$ 4,857</u>	<u>\$ 5,377</u>	<u>\$ 5,107</u>
Coverage	0.83	1.43	3.04	3.10

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,814,856	\$ 1,975,204	\$ 1,774,037	\$ 1,786,129	\$ 1,806,256	\$ 1,577,646
<u>1,738,237</u>	<u>1,669,601</u>	<u>1,673,797</u>	<u>1,569,966</u>	<u>1,592,289</u>	<u>1,482,749</u>
<u>\$ 76,619</u>	<u>\$ 305,603</u>	<u>\$ 100,240</u>	<u>\$ 216,163</u>	<u>\$ 213,967</u>	<u>\$ 94,897</u>
\$ 61,905	\$ 90,400	\$ 95,962	\$ 79,655	\$ 76,148	\$ 74,846
<u>52,254</u>	<u>49,723</u>	<u>52,730</u>	<u>53,523</u>	<u>52,307</u>	<u>15,897</u>
<u>\$ 114,159</u>	<u>\$ 140,123</u>	<u>\$ 148,692</u>	<u>\$ 133,178</u>	<u>\$ 128,455</u>	<u>\$ 90,743</u>
0.67	2.18	0.67	1.62	1.67	1.05
\$ 722,893	\$ 687,772	\$ 702,729	\$ 669,388	\$ 629,832	\$ 631,477
<u>603,660</u>	<u>589,972</u>	<u>588,571</u>	<u>599,792</u>	<u>589,022</u>	<u>568,197</u>
<u>\$ 119,233</u>	<u>\$ 97,800</u>	<u>\$ 114,158</u>	<u>\$ 69,596</u>	<u>\$ 40,810</u>	<u>\$ 63,280</u>
\$ 16,211	\$ 69,526	\$ 32,986	\$ 18,976	\$ 19,163	\$ 18,669
<u>10,300</u>	<u>11,572</u>	<u>11,851</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 26,511</u>	<u>\$ 81,098</u>	<u>\$ 44,837</u>	<u>\$ 18,976</u>	<u>\$ 19,163</u>	<u>\$ 18,669</u>
4.50	1.21	2.55	3.67	2.13	3.39
\$ 77,527	\$ 60,032	\$ 59,714	\$ 64,648	\$ 52,232	\$ 50,557
<u>10,971</u>	<u>11,078</u>	<u>9,468</u>	<u>8,502</u>	<u>465</u>	<u>564</u>
<u>\$ 66,556</u>	<u>\$ 48,954</u>	<u>\$ 50,246</u>	<u>\$ 56,146</u>	<u>\$ 51,767</u>	<u>\$ 49,993</u>
\$ 70,578	\$ 70,687	\$ 67,310	\$ 53,745	\$ 46,897	\$ 42,520
<u>33,057</u>	<u>35,226</u>	<u>32,724</u>	<u>37,113</u>	<u>23,635</u>	<u>22,048</u>
<u>\$ 103,635</u>	<u>\$ 105,913</u>	<u>\$ 100,034</u>	<u>\$ 90,858</u>	<u>\$ 70,532</u>	<u>\$ 64,568</u>
0.64	0.46	0.50	0.62	0.73	0.77
\$ 23,029	\$ 21,723	\$ 21,076	\$ 18,792	\$ 20,375	\$ 22,984
<u>9,140</u>	<u>8,287</u>	<u>8,609</u>	<u>8,776</u>	<u>9,039</u>	<u>8,968</u>
<u>\$ 13,889</u>	<u>\$ 13,436</u>	<u>\$ 12,467</u>	<u>\$ 10,016</u>	<u>\$ 11,336</u>	<u>\$ 14,016</u>
\$ 1,990	\$ 1,865	\$ 1,755	\$ 1,650	\$ 1,550	\$ 1,460
<u>3,218</u>	<u>3,172</u>	<u>3,378</u>	<u>3,620</u>	<u>3,437</u>	<u>3,451</u>
<u>\$ 5,208</u>	<u>\$ 5,037</u>	<u>\$ 5,133</u>	<u>\$ 5,270</u>	<u>\$ 4,987</u>	<u>\$ 4,911</u>
2.67	2.67	2.43	1.90	2.27	2.85

continued

State of Connecticut

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Drinking Water				
Gross Revenues	\$ 16,298	\$ 11,882	\$ 16,134	\$ 29,427
Operating Expenses	<u>9,074</u>	<u>8,257</u>	<u>7,180</u>	<u>8,207</u>
Net Available Revenues	<u>\$ 7,224</u>	<u>\$ 3,625</u>	<u>\$ 8,954</u>	<u>\$ 21,220</u>
Debt Service:				
Principal	\$ 6,653	\$ 7,343	\$ 5,544	\$ 5,727
Interest	<u>3,392</u>	<u>3,199</u>	<u>1,490</u>	<u>1,706</u>
Total	<u>\$ 10,045</u>	<u>\$ 10,542</u>	<u>\$ 7,034</u>	<u>\$ 7,433</u>
Coverage	0.72	0.34	1.27	2.85
Rate Reduction Bonds¹				
Gross Revenues	\$ -	\$ -	\$ -	\$ -
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-

Notes: Gross revenues include nonoperating revenue. Operating expenses include nonoperating expenses and exclude depreciation and interest expenses. Revenues for Higher Education funds include transfers in. Revenues for Clean Water and Drinking Water bonds include federal grants.

Rate Reduction Bonds were issued in fiscal year 2005 and retired in fiscal year 2010.

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 12,786	\$ 9,706	\$ 17,935	\$ 14,714	\$ 10,714	\$ 17,164
5,601	5,032	8,802	7,068	4,184	2,576
\$ 7,185	\$ 4,674	\$ 9,133	\$ 7,646	\$ 6,530	\$ 14,588
\$ 4,952	\$ 4,643	\$ 4,055	\$ 3,964	\$ 2,718	\$ 2,660
2,163	2,391	2,141	2,405	1,794	1,633
\$ 7,115	\$ 7,034	\$ 6,196	\$ 6,369	\$ 4,512	\$ 4,293
1.01	0.66	1.47	1.20	1.45	3.40
\$ -	\$ -	\$ -	\$ -	\$ 18,319	\$ 35,261
-	-	-	-	747	305
\$ -	\$ -	\$ -	\$ -	\$ 17,572	\$ 34,956
\$ -	\$ -	\$ -	\$ -	\$ 110,990	\$ 28,450
-	-	-	-	-	6,436
\$ -	\$ -	\$ -	\$ -	\$ 110,990	\$ 34,886
-	-	-	-	0.16	1.00

State of Connecticut

**DEMOGRAPHIC AND ECONOMIC STATISTICS
POPULATION AND PER CAPITA PERSONAL INCOME**

Last Ten Calendar Years
(Expressed in Thousands)

Year	Population			
	United States	% Growth From Previous Year	Connecticut	% Growth From Previous Year
2017	326,755	0.81%	3,583	-0.11%
2016	324,119	0.57%	3,587	-0.19%
2015	322,273	1.07%	3,594	-0.08%
2014	318,857	0.78%	3,597	0.03%
2013	316,395	0.71%	3,596	0.17%
2012	314,168	0.83%	3,590	0.25%
2011	311,592	0.73%	3,581	0.14%
2010	309,330	0.83%	3,576	0.39%
2009	306,772	0.88%	3,562	0.45%
2008	304,094	0.95%	3,546	0.54%

Sources: U.S. Bureau of Economic Analysis

**DEMOGRAPHIC AND ECONOMIC STATISTICS
EMPLOYMENT INFORMATION**

Last Ten Fiscal Years
(Expressed in Thousands)

Year	United States Labor Force			
	Civilian Labor force	Employed	Unemployed	Unemployment Rate
2017	160,494	153,513	6,981	4.3%
2016	160,135	151,990	8,144	5.1%
2015	157,037	148,739	8,299	5.3%
2014	155,700	146,247	9,453	6.1%
2013	155,835	144,058	11,777	7.6%
2012	155,063	142,974	12,088	7.8%
2011	153,421	139,334	14,087	9.2%
2010	153,741	139,119	14,623	9.5%
2009	154,926	140,196	14,729	9.5%
2008	154,390	145,891	8,499	5.5%

Sources: U.S. Department of Labor

State of Connecticut

Personal Income		Per Capita Personal Income		% Above the United States
United States	Connecticut	United States	Connecticut	
\$16,384,700,000	\$264,054,000	\$50,144	\$73,696	47.0%
\$15,943,900,000	\$252,249,000	\$49,192	\$70,323	43.0%
\$15,356,000,000	\$246,709,339	\$47,649	\$68,645	44.1%
\$14,792,000,000	\$239,829,273	\$46,391	\$60,906	31.3%
\$14,138,400,000	\$230,614,799	\$44,686	\$64,131	43.5%
\$13,355,900,000	\$233,710,888	\$42,512	\$65,101	53.1%
\$13,017,400,000	\$229,211,506	\$41,777	\$64,008	53.2%
\$12,590,671,000	\$222,404,940	\$40,703	\$62,194	52.8%
\$12,083,900,000	\$215,234,464	\$39,390	\$60,425	53.4%
\$12,002,122,000	\$217,101,744	\$39,468	\$61,224	55.1%

Connecticut Labor Force

Civilian Labor Force	Employed	Unemployed	Unemployment Rate
1,933	1,836	97	5.0%
1,892	1,796	96	5.1%
1,918	1,809	109	5.7%
1,879	1,753	126	6.7%
1,851	1,702	149	8.0%
1,898	1,728	170	9.0%
1,886	1,715	166	8.8%
1,887	1,721	166	8.8%
1,879	1,731	147	7.8%
1,897	1,795	102	5.4%

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State of Connecticut

**DEMOGRAPHIC AND ECONOMIC STATISTICS
TOP TEN NON-GOVERNMENTAL EMPLOYERS**

Current Year and Ten Years Ago

NAME	2017			2008		
	Employees in CT	Percentage of Total CT Employment	Rank	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	20,000	1.1%	1 (1)	26,490	1.5%	1
Stop & Shop Co. LLC	13,574	0.7%	2 (2)	13,574	0.8%	2
Foxwoods Resort Casino	10,500	0.6%	3	12,000	0.7%	5
Aetna Inc.	10,001	0.5%	4	7,300	0.4%	9
Yale University & Health Sys	11,530	0.6%	5	12,163	0.7%	4
Immucor (medical supply)	7,200	0.4%	6		0.0%	
General Dynamics/Electric Boat	6,100	0.3%	8	7,400	0.4%	8
Hartford Hospital	6,053	0.3%	8		0.0%	
Mohegan Sun Casino	6,000	0.3%	9	10,000	0.6%	6
Eversource Energy	5,000	0.3%	10		0.0%	
Hartford Financial Services	5,000	0.3%	10	13,000	0.7%	3
Total	100,958	5.4%		101,927	5.8%	

Sources: 2008 - Hartford Business Journal (HBJ), 2017 Infogroup, Omaha, NE

(1) Includes Sikorsky Aircraft, UTC Aerospace, Pratt & Whitney - Business units of UTC.

(2) Omitted from the HBJ survey. The number equals the employees reported by HBJ in 2008.

State of Connecticut

STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	2017	2016	2015	2014
Primary Government				
Legislative	679	715	722	685
General Government	3,135	3,289	3,360	3,324
Regulation and Protection	3,867	4,074	4,126	4,064
Conservation and Development	1,222	1,269	1,309	1,303
Health and Hospital	3,673	3,814	3,792	3,822
Transportation	3,169	3,179	3,092	3,027
Human Services	4,156	4,690	4,898	4,841
Education, Libraries, and Museums	17,664	19,392	21,263	20,937
Corrections	8,223	8,750	8,721	8,588
Judicial	4,185	4,548	4,639	4,597
Total Number of Employees - Primary Government	<u>49,973</u>	<u>53,720</u>	<u>55,922</u>	<u>55,188</u>

Note: The number of employees excludes job classes such as contractors, intermittent, durational, seasonal, trainee, temporary, and part-time employment. The total for the primary government includes the employees of the University of Connecticut, the University of Connecticut Health Center, and the Board of Regents for Higher Education which includes the State University System and the Connecticut Community Colleges.

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
705	716	705	706	713	701
3,107	3,453	3,584	3,630	3,811	3,897
3,945	3,999	4,099	4,088	4,271	4,384
1,324	1,393	1,296	1,293	1,388	1,356
3,857	3,862	3,844	3,925	4,138	7,984
2,986	3,018	3,055	3,070	3,139	3,256
4,618	5,017	5,133	5,175	1,982	2,046
21,203	21,692	20,777	20,225	20,126	20,219
8,628	9,151	9,243	9,539	10,034	10,116
<u>4,605</u>	<u>4,744</u>	<u>4,626</u>	<u>4,601</u>	<u>4,567</u>	<u>4,628</u>
<u><u>54,978</u></u>	<u><u>57,045</u></u>	<u><u>56,362</u></u>	<u><u>56,252</u></u>	<u><u>54,169</u></u>	<u><u>58,587</u></u>

State of Connecticut

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Legislative</u>				
Office of Legislative Management				
Number of Public and Special Acts	244	277	258	311
Number of Amendments Drafted	2,587	3,043	2,190	2,756
<u>General Government</u>				
Office of the State Treasurer				
% of Payments made Electronically	81.9%	81.3%	75.0%	69.6%
Number of Unclaimed Property Claims Paid	15,758	17,888	20,897	17,852
Department of Revenue Services				
% of Income Tax Returns Filed Electronically	87.0%	85.0%	84.0%	82.0%
Revenue Collected per \$1 of Agency Expense	\$264	\$264	\$255	\$256
Department of Construction Services				
Number of Construction Contracts Awarded	231	26	13	n/a
State Floor Space Owned and Leased	9,311,535	8,999,852	9,282,711	n/a
<u>Regulation and Protection</u>				
Department of Emergency Services & Public Protection				
Number of Background Checks - Firearms	54,944	49,547	61,107	47,745
Number of Fingerprint Checks for CT/Pd's	86,588	88,354	100,145	98,216
Department of Motor Vehicles				
Number of Registered Motor Vehicles	3,671,652	3,030,510	3,026,823	2,272,537
Number of Licensed Drivers	2,613,244	2,566,673	2,542,588	2,534,090
Department of Labor				
Number of Initial Unemployment Claims	148,336	153,040	245,632	265,700
Persons Using Employment Service (1)	47,711	161,637	191,372	218,879
<u>Conservation and Development</u>				
Department of Energy & Environmental Protection				
Nitrogen Discharged into Long Island Sound (2)	7,562	7,400	7,340	7,500
Attained Goal of Open Space (3)	81.0%	81.0%	84.0%	81.0%
<u>Health and Hospitals</u>				
Department of Public Health				
Number of Tuberculosis Cases Served (includes active and latent cases)	1,065	1,133	1,236	1,515
Number of Licenses Applications - New	18,811	18,015	17,716	17,116
Number of Licenses Applications - Renewal	161,595	155,251	153,328	153,997
Department of Developmental Services				
Number of Qualified Providers	259	249	250	248
Number of Persons Served in Various Programs	16,724	16,328	16,274	16,037

State of Connecticut

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
221	273	217	270	200	256
2,458	3,043	2,717	3,889	2,853	2,977
74.6%	63.4%	68.8%	69.0%	66.1%	64.2%
18,381	17,933	17,360	14,481	16,787	20,930
81.0%	78.0%	75.0%	70.5%	72.4%	70.2%
\$270	\$250	\$203	\$178	\$207	\$207
26	22	28	20	13	28
7,895,255	7,129,801	7,465,869	8,651,460	8,770,901	8,713,211
38,304	33,064	37,194	44,632	29,693	64,766
110,452	138,044	211,163	165,603	178,379	258,111
2,973,691	2,974,801	3,007,638	3,002,772	3,016,521	3,015,867
3,029,328	2,986,267	2,934,576	2,916,143	2,883,324	2,848,602
275,782	335,166	299,563	326,179	261,400	215,404
218,879	228,203	228,283	211,613	170,701	140,922
7,500	7,670	7,670	8,400	9,100	10,558
81.0%	79.0%	81.0%	79.0%	78.0%	78.0%
1,988	2,103	3,006	3,124	2,770	3,498
13,976	14,510	14,899	12,964	12,595	15,439
150,663	149,370	151,205	149,818	123,014	140,973
239	233	204	188	176	184
15,858	15,640	15,495	15,390	15,270	15,148

continued

State of Connecticut

OPERATING INDICATORS BY FUNCTION *(Continued)*

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Human Services</u>				
Department of Social Services				
Number of Medicaid Eligible Clients	735,008	737,490	656,252	610,527
Temp Family Assistance Average Caseload	15,602	17,538	18,256	18,506
<u>Education</u>				
Department of Higher Education				
Number of Degrees Conferred - Statewide	32,499	n/a	n/a	n/a
Enrollment - Statewide	170,597	n/a	n/a	n/a
<u>Transportation</u>				
Department of Transportation				
Active Construction Projects	302	279	268	117
Miles of Road Resurfaced	341	445	355	326
Estimated Billions of Persons Using Roadways	4,903	4.882	4.214	4.185
<u>Corrections</u>				
Department of Corrections				
Incarcerated Population	19,271	16,023	16,551	16,674
Direct Daily Inmate Expenditures	\$73	\$105	\$100	\$95
<u>Judicial</u>				
Judicial Branch				
Number of Superior Court Cases Filed	535,158	432,803	443,135	443,135
Average Number of Supervised Probationers	54,315	43,510	48,779	48,779

(1) The department of Labor assists individuals in job search, resume preparation, etc.

(2) Average annual number of tons

(3) % of accomplished State goal to acquire 320,957 acres of open space

n/a = statistic not available at time of publication

State of Connecticut

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
581,174	556,558	465,667	434,480	409,960	392,179
19,223	20,517	20,862	20,862	20,203	21,124
n/a	40,218	38,912	38,047	36,634	36,045
n/a	200,637	193,212	191,134	184,544	178,855
102	188	257	281	212	175
340	258	282	215	265	218
4.157	4.353	4.313	4.399	4.302	4,265
16,591	17,631	18,431	19,204	19,482	18,970
\$95	\$95	\$90	\$92	\$90	\$86
468,981	513,511	567,607	563,572	570,497	547,354
50,699	53,345	57,778	56,555	56,500	57,597

State of Connecticut

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

(Expressed in Thousands)

		2017	2016	2015	2014
Legislative	Total	\$ 175,443	\$ 175,558	\$ 171,286	\$ 171,283
Buildings		158,920	159,076	157,087	157,087
Equipment		16,523	16,482	14,199	14,195
General Government	Total	\$ 1,197,084	\$ 1,201,502	\$ 1,263,226	\$ 1,254,165
Land		195,019	193,582	192,744	190,216
Construction in Progress		159,258	150,531	188,534	233,319
Buildings		392,715	392,608	392,392	382,840
Improvements Other than Buildings		57,845	54,701	54,016	53,937
Equipment		392,247	410,080	435,540	384,854
Regulation and Protection	Total	\$ 644,256	\$ 621,075	\$ 582,024	\$ 557,330
Land		9,192	9,227	9,227	8,775
Buildings		3,249,689	326,690	326,624	320,719
Improvements Other than Buildings		26,850	27,977	27,496	24,430
Equipment		258,525	257,181	218,677	203,406
Conservation and Development	Total	\$ 680,764	\$ 668,268	\$ 652,381	\$ 630,730
Land		414,666	402,633	389,414	381,167
Buildings		121,711	121,493	121,393	108,731
Improvements Other than Buildings		75,717	75,717	74,992	75,717
Equipment		68,670	68,425	66,582	65,114
Health and Hospital	Total	\$ 314,133	\$ 315,655	\$ 365,287	\$ 358,066
Land		6,645	6,697	6,707	6,752
Buildings		235,373	239,172	289,390	284,411
Improvements Other than Buildings		19,558	19,530	19,013	18,800
Equipment		52,557	50,256	50,177	48,103
Transportation	Total	\$ 24,322,303	\$ 22,745,027	\$ 21,579,682	\$ 20,444,797
Land		1,131,384	1,106,967	1,083,450	1,072,625
Construction in Progress		4,829,184	4,393,784	3,476,307	3,231,739
Buildings		1,105,084	917,872	1,025,616	746,765
Improvements Other than Buildings		236,741	233,234	228,346	211,743
Equipment		1,421,982	1,419,842	1,458,601	1,357,277
Infrastructure		15,597,928	14,673,328	14,307,362	13,824,648
Human Services	Total	\$ 18,320	\$ 17,038	\$ 17,285	\$ 16,841
Improvements Other than Buildings		691	672	667	667
Equipment		17,629	16,366	16,618	16,173
Education, Libraries, and Museums	Total	\$ 1,108,499	\$ 1,082,196	\$ 1,052,735	\$ 1,064,712
Land		1,027	1,027	1,027	1,027
Buildings		1,015,642	990,879	864,538	890,490
Improvements Other than Buildings		220	220	209	209
Equipment		91,610	90,070	186,961	172,986
Corrections	Total	\$ 1,052,226	\$ 1,039,570	\$ 1,031,119	\$ 1,012,802
Land		10,322	10,322	10,322	10,322
Buildings		775,880	775,294	768,283	762,754
Improvements Other than Buildings		49,401	48,991	52,625	52,162
Equipment		216,623	204,963	199,889	187,563
Judicial	Total	\$ 576,661	\$ 505,586	\$ 462,125	\$ 462,672
Land		20,076	17,181	15,601	15,648
Buildings		465,349	398,216	351,219	351,922
Improvements Other than Buildings		5,688	5,663	5,663	5,369
Equipment		85,548	84,526	89,642	89,733
Total Capital Assets at Historical Cost	\$	30,089,689	\$ 28,371,475	\$ 27,177,150	\$ 25,973,398
Total Accumulated Depreciation	\$	(15,205,258)	\$ (14,665,574)	\$ (14,145,909)	\$ (13,433,773)
Governmental Activities, Capital Assets, Net	\$	14,884,431	\$ 13,705,901	\$ 13,031,241	\$ 12,539,625

State of Connecticut

(restated)					
2013	2012	2011	2010	2009	2008
\$ 170,552	\$ 170,329	\$ 171,245	\$ 168,349	\$ 168,584	\$ 170,185
156,805	156,805	156,805	156,585	156,585	158,449
13,747	13,524	14,440	11,764	11,999	11,736
\$ 1,259,818	\$ 1,017,372	\$ 1,189,407	\$ 1,218,961	\$ 1,154,135	\$ 1,060,383
189,192	193,063	191,400	180,404	160,947	158,454
308,902	144,159	296,604	331,767	379,176	386,317
321,232	297,896	297,821	297,601	244,017	206,930
53,638	54,741	54,741	54,763	54,768	51,319
386,854	327,513	348,841	354,426	315,227	257,363
\$ 481,959	\$ 452,633	\$ 402,401	\$ 395,028	\$ 376,832	\$ 392,819
8,775	8,775	8,837	8,837	8,823	9,980
256,762	236,968	210,755	209,095	201,776	201,412
19,846	19,846	19,837	17,181	17,076	26,580
196,576	187,044	162,972	159,915	149,157	154,847
\$ 614,615	\$ 603,652	\$ 590,538	\$ 571,685	\$ 475,504	\$ 460,286
374,267	366,999	355,989	345,121	248,585	233,759
107,640	107,146	107,653	104,548	104,476	107,762
72,907	70,753	69,317	65,650	63,340	63,699
59,801	58,754	57,579	56,366	59,103	55,066
\$ 357,353	\$ 298,566	\$ 311,328	\$ 304,608	\$ 300,135	\$ 291,844
6,561	6,767	6,911	6,911	6,913	6,892
283,644	227,432	239,079	224,682	222,123	224,808
18,778	16,988	18,757	27,094	26,061	16,767
48,370	47,382	46,581	45,921	45,038	43,377
\$ 19,395,070	\$ 18,343,934	\$ 17,338,101	\$ 16,256,933	\$ 15,637,149	\$ 15,043,055
1,060,109	1,036,517	1,004,641	993,751	942,688	958,763
2,690,602	2,441,123	2,043,549	1,387,610	973,326	956,131
576,030	560,152	543,331	481,206	466,452	479,255
260,263	254,243	246,874	246,075	247,521	246,664
1,155,032	1,028,099	843,984	592,510	740,699	772,476
13,653,034	13,023,800	12,655,722	12,555,781	12,266,463	11,629,766
\$ 16,843	\$ 13,926	\$ 14,142	\$ 14,441	\$ 13,809	\$ 13,807
667	667	667	-	-	-
16,176	13,259	13,475	14,441	13,809	13,807
\$ 977,529	\$ 779,508	\$ 776,143	\$ 773,831	\$ 570,910	\$ 517,232
1,027	1,027	1,027	1,027	1,027	1,027
802,713	608,276	608,276	608,276	406,118	350,948
8,217	8,217	8,217	8,211	8,200	8,079
165,572	161,988	158,623	156,317	155,565	157,178
\$ 1,007,522	\$ 1,010,491	\$ 1,003,179	\$ 975,787	\$ 978,850	\$ 964,442
10,305	10,305	10,351	10,351	10,351	19,351
759,122	756,975	760,336	740,705	737,481	721,522
51,515	51,481	51,140	50,793	51,437	48,863
186,580	191,730	181,352	173,938	179,581	174,706
\$ 456,279	\$ 450,962	\$ 448,899	\$ 454,167	\$ 439,743	\$ 394,221
15,648	15,648	15,648	15,648	14,616	11,616
351,922	351,922	351,830	351,821	343,153	303,080
4,675	3,242	1,740	1,657	1,767	1,755
84,034	80,150	79,681	85,041	80,207	77,770
\$ 24,737,540	\$ 23,141,373	\$ 22,245,383	\$ 21,133,790	\$ 20,115,651	\$ 19,308,274
\$ (12,750,730)	\$ (12,175,489)	\$ (11,321,085)	\$ (10,563,938)	\$ (9,921,291)	\$ (9,280,140)
\$ 11,986,810	\$ 10,965,884	\$ 10,924,298	\$ 10,569,852	\$ 10,194,360	\$ 10,028,134