

**STATE OF
CONNECTICUT**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**Fiscal Year Ended
June 30, 2016**



**Kevin Lembo
State Comptroller**

2016

STATE OF CONNECTICUT

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ANNUAL
FINANCIAL REPORT**

For Fiscal Year Ended
June 30, 2016

*Prepared by the Office of the
State Comptroller*

**KEVIN LEMBO
STATE COMPTROLLER**

This publication is available on the Office of the State Comptroller's home page:

<http://www.osc.state.ct.us/2016cafr/>

Office of the State Comptroller

The Office of the State Comptroller provides accounting and financial services, administers employee and retiree benefits, develops accounting policy and exercises accounting oversight, and prepares financial reports for state, federal and municipal governments and the public.

The responsibilities of the Office of the State Comptroller were first charged in the State Constitution in 1786, and have been expanded over the years in the Connecticut General Statutes. According to Article Fourth, Section 24 of the State Constitution, the State Comptroller “shall adjust and settle all public accounts and demands, except grants and orders of the general assembly. He shall prescribe the mode of keeping and rendering all public accounts.”

In addition, state law charges the office to adjust and/or settle all demands against the state not first adjusted and settled by the General Assembly; to prepare all accounting statements relating to the financial condition of the state; to provide for the budgetary and financial reporting needs of the executive branch through the Core-CT computerized system; to pay all wages and salaries of state employees; and to administer miscellaneous appropriations including the procurement of medical, dental and pharmacy benefits.

The office is organized by seven divisions: Accounts Payable Division – manages the centralized accounts payable function for the state, Budget and Financial Analysis Division – performs the state’s accounting and financial reporting functions, Healthcare Policy and Benefit Services Division – administers benefits programs for all state employees, retirees and their families, Information Technology Division – is an inter-agency team that supports and helps maintain Core-CT, the statewide financial, human resource, and payroll system, Management Services Division – provides policy and program direction for certain administrative functions of the Office of the State Comptroller and develops and executes the agency budget, Payroll Services Division – pays all state employees; coordinates all payroll deductions maintains records on payroll taxes; and deposits federal and state income tax withholdings and social security contributions, and Retirement Services Division – administers state pension plans serving more than 40,000 state retirees.

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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 30, 2016

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, 2016. 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.

Between 2008 and 2010, Connecticut lost 119,100 payroll jobs or about 6 percent of the state's labor force due to the "Great Recession." Connecticut's employment recovery began in 2010, but it was volatile with months of gains partially offset by subsequent losses. Connecticut did not experience a consistent pattern of monthly growth in payroll employment until the final months of Fiscal Year 2014.

Connecticut's employment gains have lagged slightly behind the national jobs recovery. At the close of Fiscal Year 2016, the state had recovered approximately 80 percent of the jobs lost to the 2008 recession (over 95,000 jobs). The state added 15,800 payroll jobs during the 2016 fiscal year, which is consistent with a moderate economic recovery. In June 2016, Connecticut's unemployment rate stood at 5.8 percent, continuing its decline from a high of 9.5 percent in October 2010. There were 110,600 unemployed job seekers in Connecticut in June 2016. This compares with a low of 36,500 unemployed workers recorded in October 2000 and the recessionary high of 177,200 unemployed workers in December 2010.

In the last quarter of Fiscal Year 2016, Connecticut ranked 20th nationally in personal income growth according to the Bureau of Economic Analysis. Incomes were growing at an annual rate of 4.5 percent in the state. This growth rate is well off the pace set coming out of the 2001 recession when state personal income growth peaked at 8.2 percent in 2006. Unusually slow growth in wages both nationally and in Connecticut has contributed to the slower growth in total personal income. Wages in the U.S. fell by a record setting 5.8 percent in March 2009 and have struggled to rebound. Average weekly wage gains have been running more than a percentage point below the pre-recession average, but have recently been showing some nascent signs of strengthening.

Overall economic trends have been moving toward more subdued rates of national and state growth over the past several decades. From the 1950's to the mid-1980s, there were numerous periods of double-digit growth in U.S. Gross Domestic Product (GDP). Since that time, there has been a gradual downward slope in the GDP growth rate. During Fiscal Year 2016, U.S. GDP grew at a lackluster average annual rate of 1.3 percent. The slow pace of recovery has limited the resources available for the state's budgeted programs.

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.

On the budgetary basis of accounting, General Fund spending was \$17,921.3 million in Fiscal Year 2016, which represents growth of \$501.6 million or 2.9 percent over the prior fiscal year. Almost 80 percent of this spending increase was attributable to two appropriation line-items: Debt Service, which increased by \$265.5 million or 18.7 percent and the State Employees' Retirement System Contribution, which grew by \$125.9 million or 13 percent. The functional program areas with the largest dollar reductions in spending from last fiscal year were general government administration (down \$34 million or 5.1 percent), health and hospitals (down \$19.4 million or 1.1 percent) and conservation and development (down \$11 million or 5.3 percent). The largest functional program area increase was to education, which grew by \$96.6 million or 1.9 percent. Education is the largest single program area accounting for almost 30 percent of General Fund expenditures.

In order to support that level of spending in Fiscal Year 2016, policy changes were required to increase revenue. Those revenue changes included the introduction of a new top marginal income tax rate of 6.99 percent, limits on the use of corporate tax deductions and credits, and higher taxes on hospitals. In Fiscal Year 2016, General Fund revenue expanded by \$498.8 million or 2.9 percent from the prior fiscal year. However, this was well below the original anticipated rate of growth.

The General Fund ended Fiscal Year 2016 with a deficit of \$170,418,432. A transfer from the Budget Reserve Fund eliminated the shortfall returning the unappropriated balance of the fund to zero. After the transfer to the General Fund, the Budget Reserve Fund was left with a balance of \$235,582,921. The reserves at the beginning of Fiscal Year 2016 were \$406,001,353.

A complete discussion of Fiscal Year 2016 budget and fiscal trends is contained in the MDA section of this report.

Major Legislative Initiatives

Public Act 16-29 (as amended by PA 16-3 MSS), "An Act Creating the Connecticut Retirement Security Program" This act creates the Connecticut Retirement Security Authority to establish a retirement exchange with Roth individual retirement accounts (IRAs) for eligible

private-sector employees. Eligible employees will be automatically enrolled in the program unless they opt out.

Qualified employers must automatically enroll each covered employee in the program not later than 60 days after the employer provides the employee with information required under the act. In general, if the employee does not affirmatively choose a contribution level the employer must default the employee at a 3 percent level. An employee may opt out of the program by selecting a contribution rate of zero. Employers cannot contribute to the program.

This financially self-sustaining retirement savings exchange could serve nearly 600,000 private-sector workers in Connecticut who currently have no access to workplace-based retirement savings.

Public Act 16-95 “An Act Concerning Matters Affecting Physicians, Health Care Facilities, and Medical Foundations” This act sets specific limits on non-compete agreements that can be placed on physicians. The agreements cannot extend beyond one year and cannot cover a radius of more than fifteen miles from the physician’s primary practice site. It expands the list of entities that may employ physicians by allowing independent practice associations and certain other business entities to establish medical foundations, and makes changes to medical foundations. It requires hospital bills to include the hospital’s cost-to-charge ratio. The act also changes the information that providers must give to patients when referring them to affiliated providers, and makes provisions for further study.

Passage of this act is part of an ongoing policy effort in the state to control health care spending.

Public Act 16-147 “An Act Concerning the Recommendations of the Juvenile Justice Policy and Oversight Committee” The act requires the Court Support Services Division (CSSD) to develop and implement a detention risk assessment instrument and to adopt release policies and procedures. It limits the conditions under which a child may be detained and allows graduated sanctions as an alternative to detention. The legislation requires the CSSD and Department of Children and Families to develop a plan to provide community-based services for children leaving juvenile detention. The law requires the State Department of Education, in collaboration with other agencies, to develop plans on various issue areas such as school-based diversion initiatives and educational deficiencies among children in the juvenile justice system. The act also sets up reporting requirements designed to better track outcomes of youth within the justice system.

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 3,590,886 according to the July 1, 2015 estimate of the U.S. Census. 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

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy state. According to current census data, in 2015 Connecticut had a per capita personal income (PCPI) of \$68,704. This PCPI was 143 percent of the national average of \$48,112. Connecticut had a median adjusted family income of \$91,388 in 2015 ranking it second among all states.

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. This ranks Connecticut 7th and 3rd respectively among the states in the educational attainment of its adult population.

The state continues to be a leader in technology and innovation within its industries. Total spending within the state on research and development activities places Connecticut 5th among all states. In 2015, Connecticut 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. Much of Connecticut's manufacturing is for the military. Finance, insurance and real estate (FIRE) are important sectors that in 2015 contributed the highest dollar amount to the state's Real Gross Domestic Product.

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 the past four decades. The 2008 recession significantly reduced employment in the state's FIRE 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 20 percent below the statewide average.

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily adding jobs and those gains have now spread to all major employment sectors. There are also indications of pay gains in many sectors. The state's labor force has the 3rd 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. Forbes magazine ranked Connecticut 3rd in quality of life measures. The state has the 2nd lowest violent crime rate among neighboring states and the 9th lowest in the nation. State residents also enjoy the 3rd highest life

expectancy in the country. 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.

Acknowledgements

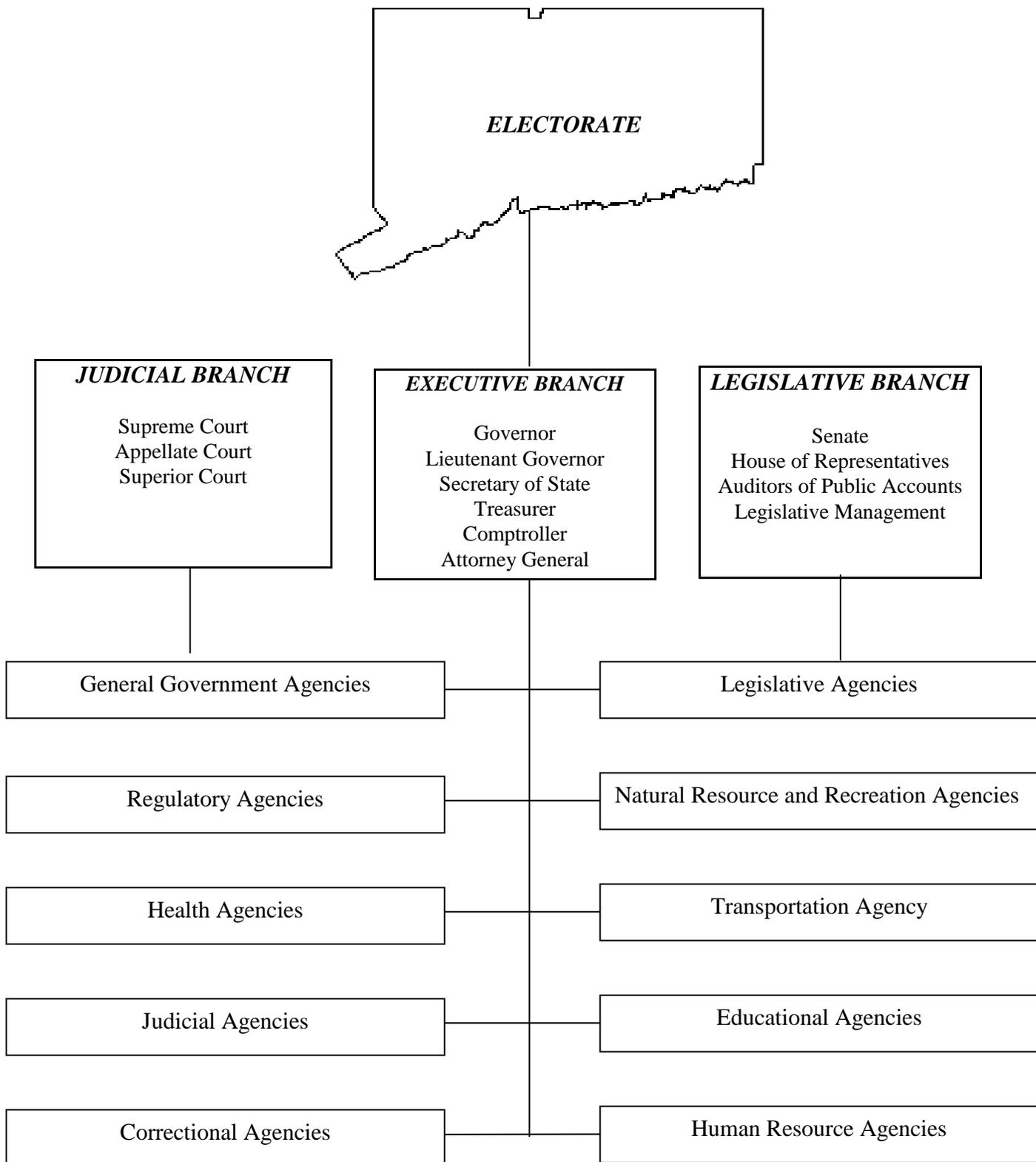
I want to thank my staff, the State Auditors, and all of the agency personnel and others who contributed to producing this report. I also want to thank its readers who bring meaning to the work that we do.

Sincerely,

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

Kevin Lembo
Connecticut State Comptroller

Organization Chart



*Selected State Officials
(as of June 30, 2016)*

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

JUDICIAL

Chase T. Rogers
Chief Justice

LEGISLATIVE

Martin M. Looney
President Pro Tempore of the State Senate
(36 Senators)

Brendan Sharkey
Speaker of the House of Representatives
(151 Representatives)

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*Financial
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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 2016, 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 six percent of the assets, two percent of the net position and eight 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, Connecticut Airport Authority, Bradley International Airport Parking Facility, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 57 percent of the assets, 51 percent of the net position and 33 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 98 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 57 percent of the assets, 33 percent of the net position and 33 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 and University of Connecticut Law School 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, 2016, and the respective budgetary comparison for the General Fund and the Transportation Fund, 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 22 and 24 to the basic financial statements, in the 2016 fiscal year the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments and for disclosures related to all fair value measurements. As a result of the implementation of GASB Statement No. 72 the State reported a restatement for a change in accounting principle by an increase of its beginning net position for governmental funds and fiduciary funds totaling \$182 thousand and \$214.8 million, respectively. The amounts reported for the beginning and ending net position reflect a change in methodology of the State Treasurer for valuing investments that do not have a readily determinable market value. Our opinions are not modified in 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, the budgetary comparison schedules, the pension plans schedules and information and

the other post-employment benefits schedule, 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the 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 30, 2016, 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, 2016, 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
Auditor of Public Accounts

December 30, 2016
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

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, 2016. 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.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) increased \$2.5 billion (or 7.0 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by \$3.2 billion (or 7.9 percent) and business-type activities increased by \$770 million (or 14.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative \$44.1 billion and \$6.30 billion, respectively.

Component units reported net position of \$2.35 billion, a decrease of \$24.4 million or 1.0 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 \$1.8 billion, a decrease of \$0.3 million in comparison with the prior year. Of this total fund balance, \$191.6 million represents nonspendable fund balance, \$2.3 billion represents restricted fund balance, \$354.8 million represents committed fund balance, and \$24.9 million represents assigned fund balance. A negative \$1.0 billion unassigned fund balance offsets these amounts. This deficit, which belongs primarily to the General Fund, increased by \$265.7 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 \$235.6 million.

Personal income tax revenues in the governmental funds increased \$904.2 million or 11.0 percent, compared to \$434.4 million or 5.6 percent increase in the prior fiscal year. General fund tax revenues increased \$433.6 million or 2.9 percent.

The Enterprise funds reported net position of \$6.3 billion at year-end, an increase of \$770.1 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 \$62.7 billion for governmental activities at year-end, of which \$23.9 billion was bonded debt.

Total long-term debt was \$1.9 billion for business-type activities at year-end, of which \$1.5 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 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'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 2016. 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 36 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 Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other eighteen 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.

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 \$2.5 billion or 7.0 percent. In comparison, last year the combined net position deficit decreased \$2.7 billion or 6.6 percent. The net position deficit of the State's governmental activities increased \$3.2 billion (7.9 percent) to \$44.1 billion during the current fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015*	2016	2015	2016	2015*
ASSETS						
Current and Other Assets	\$ 4,674	\$ 4,566	\$ 4,166	\$ 4,104	\$ 8,840	\$ 8,670
Capital Assets	13,706	13,031	4,539	4,151	18,245	17,182
<i>Total Assets</i>	<u>18,380</u>	<u>17,597</u>	<u>8,705</u>	<u>8,255</u>	<u>27,085</u>	<u>25,852</u>
Deferred Outflows of Resources	<u>2,656</u>	<u>2,357</u>	<u>12</u>	<u>16</u>	<u>2,668</u>	<u>2,373</u>
LIABILITIES						
Current Liabilities	4,501	4,149	715	829	5,216	4,978
Long-term Liabilities	60,580	55,256	1,714	1,926	62,294	57,182
<i>Total Liabilities</i>	<u>65,081</u>	<u>59,405</u>	<u>2,429</u>	<u>2,755</u>	<u>67,510</u>	<u>62,160</u>
Deferred Inflows of Resources	<u>83</u>	<u>1,429</u>	<u>19</u>	<u>17</u>	<u>102</u>	<u>1,446</u>
NET POSITION						
Net Investment in Capital Assets	4,531	4,958	3,794	3,449	8,325	8,407
Restricted	1,977	1,885	1,090	1,154	3,067	3,039
Unrestricted	(50,636)	(47,723)	1,385	896	(49,251)	(46,827)
<i>Total Net Position (Deficit)</i>	<u>\$ (44,128)</u>	<u>\$ (40,880)</u>	<u>\$ 6,269</u>	<u>\$ 5,499</u>	<u>\$ (37,859)</u>	<u>\$ (35,381)</u>

*Restated for comparative purposes

Total invested in capital assets net of related debt was \$4.5 billion (buildings, roads, bridges, etc.) and \$2.0 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of \$50.6 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 issued in the amount of \$10.0 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 \$38.7 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased \$770.1 million (14.0 percent) to \$6.3 billion during the current fiscal year. Of this amount, \$3.8 billion was invested in capital assets and \$1.1 billion was restricted for specific purposes, resulting in unrestricted net positions of \$1.4 billion. These resources cannot be used 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, 2016 and 2015 were as follows:

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

	Governmental Activities		Business-Type Activities		Total		% change 16-15
	2016	2015*	2016	2015	2016	2015*	
REVENUES							
Program Revenues							
Charges for Services	\$ 1,998	\$ 1,902	\$ 2,820	\$ 2,600	\$ 4,818	\$ 4,502	7.0%
Operating Grants and Contributions	7,179	7,096	594	676	7,773	7,772	0.0%
Capital Grants and Contributions	779	717	6	33	785	750	4.7%
General Revenues							
Taxes	16,204	15,707	-	-	16,204	15,707	3.2%
Casino Gaming Payments	266	268	-	-	266	268	-0.7%
Lottery Tickets	335	320	-	-	335	320	4.7%
Other	207	141	13	12	220	153	43.8%
Total Revenues	26,968	26,151	3,433	3,321	30,401	29,472	3.2%
EXPENSES							
Legislative	140	109	-	-	140	109	28.4%
General Government	2,545	1,717	-	-	2,545	1,717	48.2%
Regulation and Protection	968	1,032	-	-	968	1,032	-6.2%
Conservation and Development	1,104	924	-	-	1,104	924	19.5%
Health and Hospital	2,772	2,176	-	-	2,772	2,176	27.4%
Transportation	2,238	1,767	-	-	2,238	1,767	26.7%
Human Services	9,116	6,753	-	-	9,116	6,753	35.0%
Education, Libraries, and Museums	5,315	4,407	-	-	5,315	4,407	20.6%
Corrections	2,308	1,825	-	-	2,308	1,825	26.5%
Judicial	1,135	876	-	-	1,135	876	29.6%
Interest and Fiscal Charges	829	797	-	-	829	797	4.0%
University of Connecticut & Health Center	-	-	2,255	2,155	2,255	2,155	4.6%
Board of Regents	-	-	1,363	1,319	1,363	1,319	3.3%
Employment Security	-	-	686	751	686	751	-8.7%
Clean Water	-	-	38	35	38	35	8.6%
Other	-	-	67	69	67	69	-2.9%
Total Expenses	28,470	22,383	4,409	4,329	32,879	26,712	23.1%
Excess (Deficiency) Before Transfers	(1,502)	3,768	(976)	(1,008)	(2,478)	2,760	
Transfers	(1,746)	(1,726)	1,746	1,726	-	-	
Increase (Decrease) in Net Position	(3,248)	2,042	770	718	(2,478)	2,760	
Net Position (Deficit) - Beginning (as restated)	(40,880)	(42,922)	5,499	4,781	(35,381)	(38,141)	
Net Position (Deficit) - Ending	(44,128)	(40,880)	6,269	5,499	(37,859)	(35,381)	7.0%

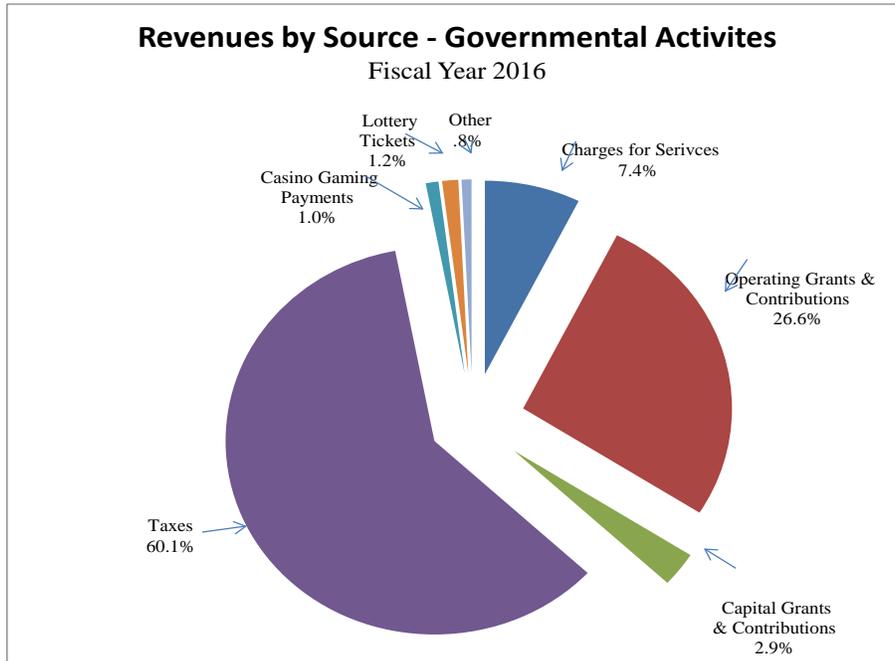
*Restated for comparative purposes

Changes in Net Position

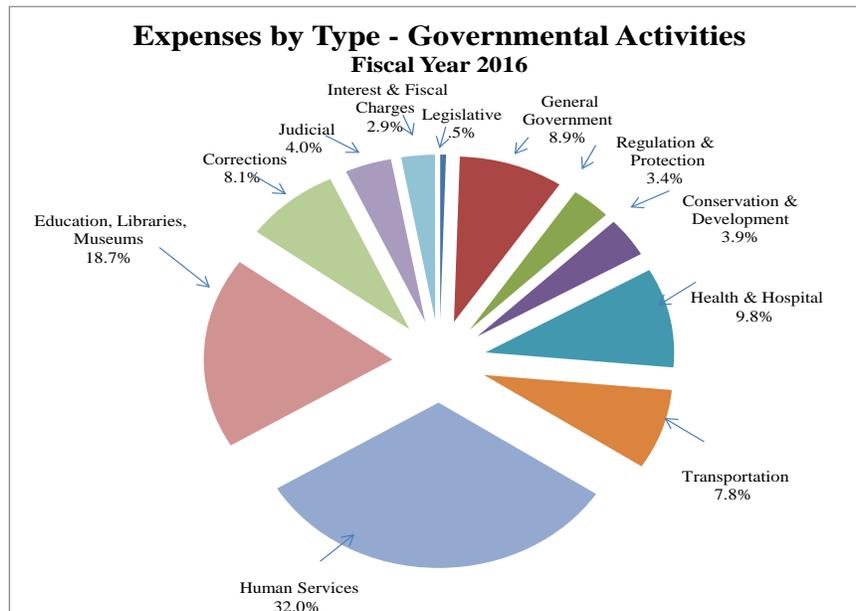
This year the State received 60.1 percent of its revenue from taxes and 29.5 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 60.1 percent and grants and contributions were 27.1 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 7.4 percent of total revenue in fiscal year 2016, compared to 7.3 percent in fiscal year 2015.

Governmental Activities

The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$817 million, or 3.1 percent. This increase is primarily due to an increase of \$497 million from taxes.

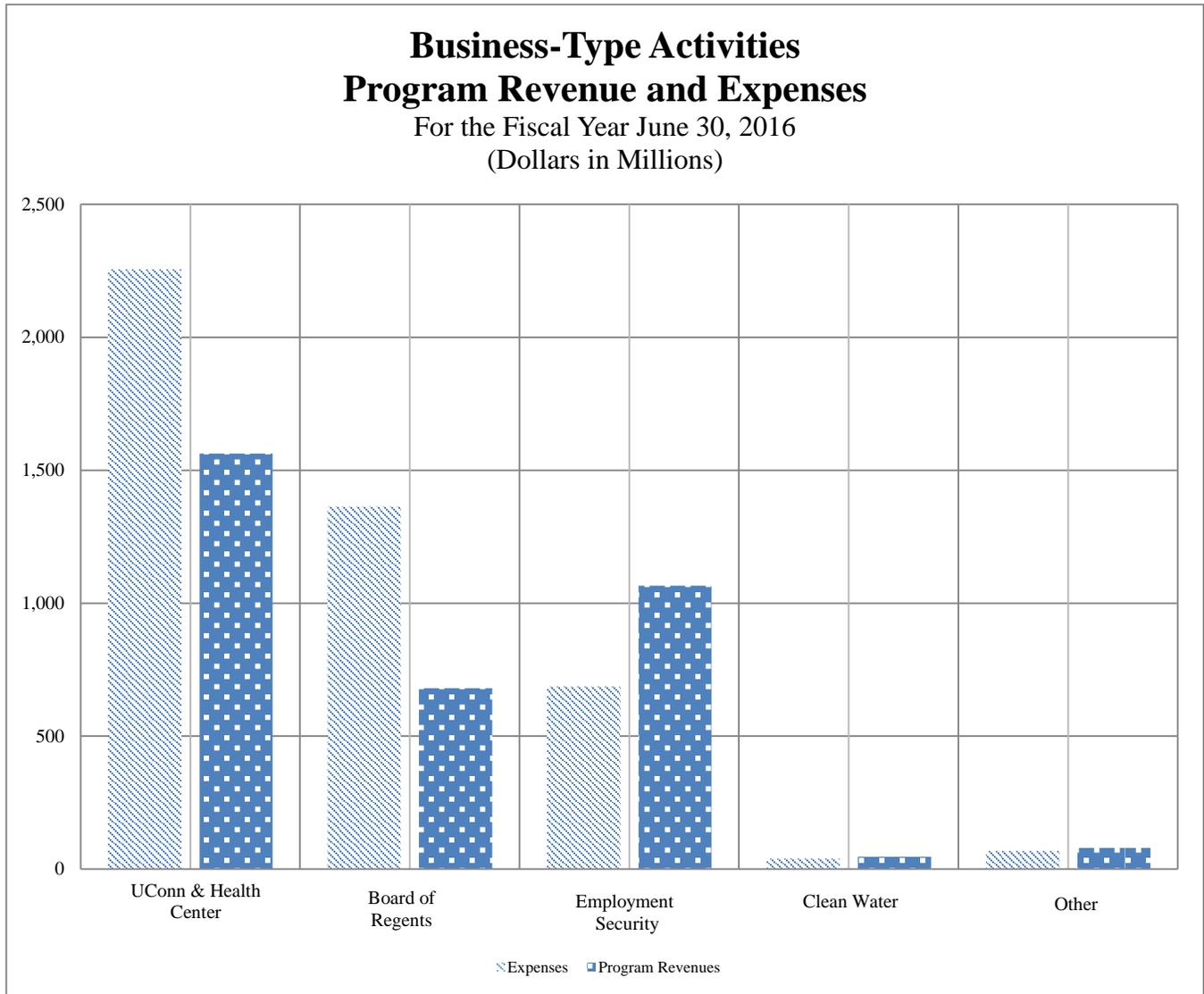


The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by \$6.1 billion, or 27.2 percent. The increase is mainly attributable to increased spending in human services.



Business-Type Activities

Net position of business-type activities increased by \$770.1 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 increased 3.0 percent to \$3.4 billion, while total expenses increased 1.3 percent to \$4.4 billion. In comparison, last year total revenues remained steady, while total expenses decreased 2.8 percent. The increase in total expenses of \$80.0 million was due mainly to an increase in University of Connecticut and Health Center expenses of \$100.0 million or 4.6 percent. Although, total expenses exceeded total revenues by \$976.2 million, this deficiency was reduced by transfers of \$1,746 million, resulting in an increase in net position of \$770.1 million.

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 \$1.8 billion, a decrease of \$265.4 million over the prior year ending fund balances. Of the total governmental fund balances, \$2.3 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$191.6 million represents fund balance that is non-spendable; \$379.7 million represents fund balance that is committed or assigned for specific purposes. A negative \$1.01 billion 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 \$614.2 million, an increase of \$424.3 million in comparison with the prior year. Of this total fund balance, \$384.7 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of \$998.9 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by \$1.4 million or 2.8 percent.
- Committed fund balance decreased by \$220.0 million or 39.8 percent. There also was a statutory transfer from the Budget Reserve Fund (Rainy Day Fund) for \$170.4 million, after the transfer the fund ended the year with a balance of \$235.6 million.
- Unassigned fund balance deficit increased by \$205.7 million.

At the end of fiscal year 2016, General Fund revenues were 1.5 percent, or \$260.9 million, higher than fiscal year 2015 revenues. This change in revenue results from increases of \$538.3 million primarily attributable to taxes (\$433.6 million), licenses, permits, and fees (\$39.2 million), and other revenue (\$65.5 million). These increases were offset by decreases of \$277.4 million primarily attributable to federal grants and aid (\$275.2 million), and other revenue (\$2.2 million).

At the end of fiscal year 2016, General Fund expenditures were 3.0 percent, or \$508.0 million, higher than fiscal year 2015. This was primarily attributable to increases in legislative, general government, regulations, conservation and development, human services, corrections, and judicial of \$4.1 million, \$337.5 million, \$12.1 million, \$81.2 million, \$18.2 million, and \$30.7 million respectively. Net other financing sources and uses increased by \$29.6 million.

Debt Service Fund

At the end of fiscal year 2016, the Debt Service Fund had a fund balance of \$738.2 million, all of which was restricted, an increase of \$69.8 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$211.9 million at the end of fiscal 2016. Of this amount, \$29.7 million was in nonspendable form and \$182.2 million was restricted or committed for specific purposes. Fund balance decreased by \$45.4 million during the current fiscal year.

At the end of fiscal year 2016, Transportation Fund revenues increased by \$21.8 million, or 1.6 percent, and expenditures increased by \$38.8 million, or 4.3 percent. The increased revenue is primarily due to an increase in taxes.

Restricted Grants and Accounts Fund

At the end of fiscal year 2016, the Restricted Grants and Accounts Fund had a fund balance of \$197.9 million, all of which was restricted for specific purposes, an increase of \$113.1 million in comparison with the prior year.

Total revenues were 5.5 percent, or \$352.0 million, higher than in fiscal year 2015. Overall, total expenditures were 4.1 percent, or \$267.9 million, higher than fiscal year 2015.

Grant and Loan Programs

As of June 30, 2016, the Grant and Loan Programs Fund had a fund balance of \$689.4 million, all of which was restricted for specific purposes, a decrease of \$63.6 million in comparison with the prior year.

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 \$30.9 billion, a decrease of \$234.2 million 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 2016 with a deficit of \$170,418,432. A transfer from the Budget Reserve Fund eliminated the shortfall returning the unappropriated balance of the fund to zero on the budgetary accounting basis. After the transfer to the General Fund, the Budget Reserve Fund had a balance of \$235,582,921. The reserves at the beginning of Fiscal Year 2016 were \$406,001,353.

In evaluating the Fiscal Year 2016 General Fund deficit, it is instructive to recall that as the fiscal year budget formulation process began, projections indicated that maintaining existing levels of programs and services would produce a deficit of \$1.1 billion.

In order to pass a balanced budget for Fiscal Year 2016, policy changes were implemented to reduce current service spending in the General Fund by \$519 million. The actual changes in spending between Fiscal Years 2015 and 2016 are discussed below. In addition to the spending changes, adjustments were enacted to generate an anticipated \$802.1 million more in gross General Fund revenue. The largest revenue changes were to the income

tax (\$169.3 million), the corporation tax (\$258.1 million), and the health provider tax (\$224.8 million). The gain in the health provider tax was to be partially offset by higher payments to hospitals. Since the hospital tax (Public Act 11-6) was implemented in Fiscal Year 2012 as a method of maximizing federal reimbursements, redistribution of the tax back to hospitals has steadily declined.

Within the first two months of Fiscal Year 2016, it became clear that General Fund revenue would fall short of budget targets. A significant stock market correction in August of 2015 dampened hopes of meeting income tax estimates, especially with respect to the capital gains portion of the tax. By the time of the November 10, 2015 consensus revenue forecast, General Fund revenues were projected to be \$217.5 million short of budget expectations and a Fiscal Year 2016 General Fund deficit emerged. In December, a deficit mitigation target of \$350 million was negotiated and Public Act 15-1 was passed to rebalance the budget. Public Act 15-1 made line-item reductions to agency budgets and delayed revenue transfers to the Transportation Fund and to the Municipal Revenue Sharing Account, among other changes.

Revenue estimates continued to deteriorate throughout the fiscal year and on March 16, 2016, the Governor issued budget rescissions totaling \$78.7 million across all branches of government. At the end of Fiscal Year 2016, the General Fund deficit estimate was \$279.4 million, which was prior to accrual activity. Positive accrual results have reduced the General Fund deficit number for Fiscal Year 2016 to \$170.4 million as cited above.

General Fund spending of \$17,921.3 million in Fiscal Year 2016 grew by \$501.6 million or 2.9 percent over last fiscal year. Almost 80 percent of this spending increase was attributable to two appropriation line-items: Debt Service increased by \$265.5 million or 18.7 percent and the State Employees' Retirement System Contribution grew by \$125.9 million or 13 percent. The functional program areas with the largest dollar reductions in spending from last fiscal year were general government administration (down \$34 million or 5.1 percent), health and hospitals (down \$19.4 million or 1.1 percent) and conservation and development (down \$11 million or 5.3 percent). The largest functional program area increase was to education, which grew by \$96.6 million or 1.9 percent. Education is the largest single program area accounting for almost 30 percent of General Fund expenditures.

In Fiscal Year 2016, General Fund revenue expanded by \$498.8 million or 2.9 percent from the prior fiscal year. This gain was primarily due to the revenue policy changes discussed above, and it was well below initial budget expectations. The largest variance from the original budget estimates was in the income tax, which fell \$652.8 million short of the target. Compared with the previous fiscal year, the payroll driven withholding portion of the income tax grew by 3.4 percent in Fiscal Year 2016. However, the estimated and final payments portions of the income tax, which are related to capital gains and bonus payments, dropped by 4.4 percent despite an increase in the upper bracket tax rate.

The disappointing revenue results for Fiscal Year 2016 were largely produced by an economy that has yet to reach past recovery growth levels, as well as considerable stock market volatility.

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, 2016 totaled \$18.2 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 \$1.01 billion.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of \$523 million and depreciation expense of \$988.0 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	
	2016	2015	2016	2015	2016	2015
	Land	\$ 1,747	\$ 1,709	\$ 68	\$ 68	\$ 1,815
Buildings	2,605	2,505	3,253	2,868	5,858	5,373
Improvements Other Than Buildings	141	156	184	166	325	322
Equipment	-	62	348	332	348	394
Infrastructure	4,613	4,934	-	-	4,613	4,934
Construction in Progress	4,545	3,665	686	717	5,231	4,382
Total	<u>\$ 13,651</u>	<u>\$ 13,031</u>	<u>\$ 4,539</u>	<u>\$ 4,151</u>	<u>\$ 18,190</u>	<u>\$ 17,182</u>

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

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of \$25.3 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 Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
	General Obligation Bonds	\$ 17,395	\$ 16,403	\$ -	\$ -	\$ 17,395
Transportation Related bonds	4,520	4,090	-	-	4,520	4,090
Revenue Bonds	-	-	1,271	1,357	1,271	1,357
Long-Term Notes	353	520	-	-	353	520
Premiums and Deferred Amounts	1,672	1,417	102	111	1,774	1,528
Total	<u>\$ 23,940</u>	<u>\$ 22,430</u>	<u>\$ 1,373</u>	<u>\$ 1,468</u>	<u>\$ 25,313</u>	<u>\$ 23,898</u>

The State's total bonded debt increased by \$1.4 billion (5.9 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of \$992 million.

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 2016, the State had a debt incurring margin of \$2.9 billion.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2016	2015*	2016	2015	2016	2015*
Net Pension Liability	\$ 27,460	\$ 26,115	\$ -	\$ -	\$ 27,460	\$ 26,115
Net OPEB Obligation	9,928	8,983	-	-	9,928	8,983
Compensated Absences	511	499	192	186	703	685
Workers Compensation	684	651	-	-	684	651
Federal Loan Payable	-	-	-	103	-	103
Other	148	150	349	351	497	501
Total	\$ 38,731	\$ 36,398	\$ 541	\$ 640	\$ 39,272	\$ 37,038

*Restated for comparative purposes

The State’s other long-term obligations increased by \$2.2 billion (6.0 percent) during the fiscal year. This increase was due mainly to an increase in the net pension liability (Governmental activities) of \$1.3 billion or 5.1 percent. Additional information on the State’s long-term debt can be found in Notes 16 and 17 of this report.

Economic Outlook and Next Year’s Budget

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy State. According to current census data, in 2015 Connecticut had a per capita personal income (PCPI) of \$68,704. This PCPI was 143 percent of the national average of \$48,112. Connecticut had a median adjusted family income of \$91,388 in 2015 ranking it second among all States.

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. This ranks Connecticut 7th and 3rd respectively among the States in the educational attainment of its adult population.

The State continues to be a leader in technology and innovation within its industries. Total spending within the state on research and development activities places Connecticut 5th among all states. In 2015, Connecticut 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. Much of Connecticut’s manufacturing is for the military. Finance, insurance and real estate (FIRE) are important sectors that in 2015 contributed the highest dollar amount to the state’s Real Gross Domestic Product.

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 the past four decades. The 2008 recession significantly reduced employment in the State’s FIRE 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 20 percent below the statewide average.

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily adding jobs and those gains have now spread to all major employment sectors. There are also indications of pay gains in many sectors. The State's labor force has the 3rd 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. Forbes magazine ranked Connecticut 3rd in quality of life measures. The State has the 2nd lowest violent crime rate among neighboring states and the 9th lowest in the nation. State residents also enjoy the 3rd highest life expectancy in the country. 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 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 1-860-702-3350.

*Basic
Financial
Statements*

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Statement of Net Position

June 30, 2016

(Expressed in Thousands)

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 881,229	\$ 784,140	\$ 1,665,369	\$ 277,149
Deposits with U.S. Treasury	-	382,161	382,161	-
Investments	111,549	34,139	145,688	407,943
Receivables, (Net of Allowances)	2,383,816	630,912	3,014,728	93,996
Due from Primary Government	-	-	-	5,202
Inventories	48,282	12,667	60,949	5,954
Restricted Assets	-	149,081	149,081	1,076,729
Internal Balances	(362,055)	362,055	-	-
Other Current Assets	9,002	30,711	39,713	18,405
Total Current Assets	<u>3,071,823</u>	<u>2,385,866</u>	<u>5,457,689</u>	<u>1,885,378</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	482,781	482,781	-
Due From Component Units	35,623	-	35,623	-
Investments	-	55,710	55,710	205,609
Receivables, (Net of Allowances)	828,162	973,035	1,801,197	471,545
Restricted Assets	738,240	263,274	1,001,514	4,508,525
Capital Assets, (Net of Accumulated Depreciation)	13,705,901	4,538,697	18,244,598	793,094
Other Noncurrent Assets	107	6,055	6,162	54,138
Total Noncurrent Assets	<u>15,308,033</u>	<u>6,319,552</u>	<u>21,627,585</u>	<u>6,032,911</u>
Total Assets	<u>18,379,856</u>	<u>8,705,418</u>	<u>27,085,274</u>	<u>7,918,289</u>
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	1,857	-	1,857	98,541
Unamortized Losses on Bond Refundings	95,903	9,204	105,107	66,341
Related to Pensions	2,558,497	-	2,558,497	19,743
Other Deferred Outflows	-	2,921	2,921	72
Total Deferred Outflows of Resources	<u>2,656,257</u>	<u>12,125</u>	<u>2,668,382</u>	<u>184,697</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	910,608	403,759	1,314,367	124,135
Due to Component Units	5,202	-	5,202	-
Due to Primary Government	-	-	-	35,623
Due to Other Governments	362,842	239	363,081	-
Current Portion of Long-Term Obligations	2,089,680	165,597	2,255,277	369,796
Amount Held for Institutions	-	-	-	318,694
Unearned Revenue	25,681	43,467	69,148	-
Medicaid Liability	561,749	-	561,749	-
Liability for Escheated Property	465,177	-	465,177	-
Other Current Liabilities	79,255	101,893	181,148	48,410
Total Current Liabilities	<u>4,500,194</u>	<u>714,955</u>	<u>5,215,149</u>	<u>896,658</u>
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	60,580,323	1,714,497	62,294,820	4,844,324
Total Noncurrent Liabilities	<u>60,580,323</u>	<u>1,714,497</u>	<u>62,294,820</u>	<u>4,844,324</u>
Total Liabilities	<u>65,080,517</u>	<u>2,429,452</u>	<u>67,509,969</u>	<u>5,740,982</u>
Deferred Inflows of Resources				
Related to Pensions	83,337	-	83,337	7,657
Other Deferred Inflows	-	19,004	19,004	1,886
Total Deferred Inflows of Resources	<u>83,337</u>	<u>19,004</u>	<u>102,341</u>	<u>9,543</u>
Net Position				
Net Investment in Capital Assets	4,530,912	3,794,464	8,325,376	521,716
Restricted For:				
Transportation	112,838	-	112,838	-
Debt Service	679,678	4,508	684,186	7,276
Federal Grants and Other Accounts	182,006	-	182,006	-
Capital Projects	90,048	166,916	256,964	110,309
Grant and Loan Programs	693,046	-	693,046	-
Clean Water and Drinking Water Projects	-	713,555	713,555	-
Bond Indenture Requirements	-	-	-	887,556
Loans	-	2,597	2,597	-
Permanent Investments or Endowments:				
Expendable	-	-	-	85,872
Nonexpendable	107,295	13,080	120,375	355,533
Other Purposes	112,285	189,036	301,321	80,899
Unrestricted (Deficit)	(50,635,847)	1,384,932	(49,250,915)	303,300
Total Net Position (Deficit)	<u>\$ (44,127,739)</u>	<u>\$ 6,269,088</u>	<u>\$ (37,858,651)</u>	<u>\$ 2,352,461</u>

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

Statement of Activities

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services, Fees, Fines , and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Legislative	\$ 139,916	\$ 3,415	\$ 79	\$ -
General Government	2,544,489	774,320	72,303	-
Regulation and Protection	968,289	690,976	157,163	-
Conservation and Development	1,103,531	82,789	190,602	-
Health and Hospitals	2,772,452	90,917	160,007	-
Transportation	2,237,773	51,245	-	778,909
Human Services	9,115,540	146,279	5,858,045	-
Education, Libraries, and Museums	5,315,342	11,996	606,087	-
Corrections	2,307,516	11,943	124,502	-
Judicial	1,135,055	133,691	10,524	-
Interest and Fiscal Charges	829,246	-	-	-
Total Governmental Activities	<u>28,469,149</u>	<u>1,997,571</u>	<u>7,179,312</u>	<u>778,909</u>
Business-Type Activities:				
University of Connecticut & Health Center	2,255,211	1,284,715	271,028	5,071
Board of Regents	1,362,522	504,398	172,481	955
Employment Security	686,494	932,800	132,431	-
Clean Water	38,369	27,605	10,475	-
Other	65,757	69,836	7,845	-
Total Business-Type Activities	<u>4,408,353</u>	<u>2,819,354</u>	<u>594,260</u>	<u>6,026</u>
Total Primary Government	<u>\$ 32,877,502</u>	<u>\$ 4,816,925</u>	<u>\$ 7,773,572</u>	<u>\$ 784,935</u>
Component Units				
Connecticut Housing Finance Authority (12/31/15)	\$ 198,050	\$ 170,035	\$ -	\$ -
Connecticut Lottery Corporation	1,228,424	1,230,836	-	-
Connecticut Airport Authority	91,497	95,811	-	6,021
Other Component Units	323,880	290,359	12,020	3,854
Total Component Units	<u>\$ 1,841,851</u>	<u>\$ 1,787,041</u>	<u>\$ 12,020</u>	<u>\$ 9,875</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 are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (136,422)	\$ -	\$ (136,422)	\$ -
(1,697,866)	-	(1,697,866)	-
(120,150)	-	(120,150)	-
(830,140)	-	(830,140)	-
(2,521,528)	-	(2,521,528)	-
(1,407,619)	-	(1,407,619)	-
(3,111,216)	-	(3,111,216)	-
(4,697,259)	-	(4,697,259)	-
(2,171,071)	-	(2,171,071)	-
(990,840)	-	(990,840)	-
(829,246)	-	(829,246)	-
<u>(18,513,357)</u>	<u>-</u>	<u>(18,513,357)</u>	<u>-</u>
-	(694,397)	(694,397)	-
-	(684,688)	(684,688)	-
-	378,737	378,737	-
-	(289)	(289)	-
-	11,924	11,924	-
<u>-</u>	<u>(988,713)</u>	<u>(988,713)</u>	<u>-</u>
<u>(18,513,357)</u>	<u>(988,713)</u>	<u>(19,502,070)</u>	<u>-</u>
-	-	-	(28,015)
-	-	-	2,412
-	-	-	10,335
-	-	-	(17,647)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,915)</u>
9,091,156	-	9,091,156	-
778,917	-	778,917	-
4,224,989	-	4,224,989	-
1,231,783	-	1,231,783	-
877,371	-	877,371	-
69,752	-	69,752	-
265,907	-	265,907	-
120,448	-	120,448	-
335,387	-	335,387	-
16,535	12,500	29,035	8,491
<u>(1,746,295)</u>	<u>1,746,295</u>	<u>-</u>	<u>-</u>
<u>15,265,950</u>	<u>1,758,795</u>	<u>17,024,745</u>	<u>8,491</u>
<u>(3,247,407)</u>	<u>770,082</u>	<u>(2,477,325)</u>	<u>(24,424)</u>
<u>(40,880,332)</u>	<u>5,499,006</u>	<u>(35,381,326)</u>	<u>2,376,885</u>
<u>\$ (44,127,739)</u>	<u>\$ 6,269,088</u>	<u>\$ (37,858,651)</u>	<u>\$ 2,352,461</u>

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Governmental Fund Financial Statements

Major Funds:

General Fund:

This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:

This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:

This fund is used to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Restricted Grants and Accounts Fund:

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 Fund:

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.

Nonmajor Funds:

Nonmajor governmental funds are presented, by fund type beginning on page 108.

Balance Sheet
Governmental Funds
June 30, 2016
(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Restricted Grants & Accounts</u>	<u>Grant & Loan Programs</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ 62,822	\$ 339,841	\$ 138,140	\$ 327,924	\$ 868,727
Investments	-	-	-	-	-	111,549	111,549
Securities Lending Collateral	-	-	-	-	-	8,808	8,808
Receivables:							
Taxes, Net of Allowances	1,320,815	-	141,591	34,027	-	-	1,496,433
Accounts, Net of Allowances	387,060	-	14,238	38,515	3,875	26,814	470,502
Loans, Net of Allowances	3,419	-	-	42,267	559,735	222,741	828,162
From Other Governments	46,208	-	-	335,686	-	8,455	390,349
Interest	-	568	68	-	-	-	636
Other	-	-	-	-	-	4	4
Due from Other Funds	46,390	-	568	115	10	381,691	428,774
Due from Component Units	34,701	-	-	922	-	-	35,623
Inventories	14,421	-	29,650	-	-	-	44,071
Restricted Assets	-	738,240	-	-	-	-	738,240
Total Assets	<u>\$ 1,853,014</u>	<u>\$ 738,808</u>	<u>\$ 248,937</u>	<u>\$ 791,373</u>	<u>\$ 701,760</u>	<u>\$ 1,087,986</u>	<u>\$ 5,421,878</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 334,285	\$ -	\$ 28,493	\$ 226,630	\$ 8,456	\$ 99,669	\$ 697,533
Due to Other Funds	432,114	568	-	3,144	27	319,424	755,277
Due to Component Units	-	-	-	5,202	-	-	5,202
Due to Other Governments	360,839	-	-	2,003	-	-	362,842
Unearned Revenue	10,762	-	-	-	-	14,919	25,681
Medicaid Liability	223,335	-	-	338,414	-	-	561,749
Liability For Escheated Property	465,177	-	-	-	-	-	465,177
Securities Lending Obligation	-	-	-	-	-	8,808	8,808
Other Liabilities	62,507	-	-	7,939	-	-	70,446
Total Liabilities	<u>1,889,019</u>	<u>568</u>	<u>28,493</u>	<u>583,332</u>	<u>8,483</u>	<u>442,820</u>	<u>2,952,715</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	<u>578,184</u>	<u>-</u>	<u>8,554</u>	<u>10,157</u>	<u>3,830</u>	<u>24,418</u>	<u>625,143</u>
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	52,541	-	29,650	-	-	-	82,191
Permanent Fund Principal	-	-	-	-	-	109,606	109,606
Restricted For:							
Debt Service	-	738,240	-	-	-	-	738,240
Transportation Programs	-	-	159,630	-	-	-	159,630
Federal Grant and State Programs	-	-	-	197,884	-	-	197,884
Grants and Loans	-	-	-	-	678,302	-	678,302
Other	-	-	-	-	-	506,049	506,049
Committed For:							
Continuing Appropriations	96,559	-	22,610	-	-	-	119,169
Budget Reserve Fund	235,583	-	-	-	-	-	235,583
Assigned To:							
Grants and Loans	-	-	-	-	11,145	-	11,145
Other	-	-	-	-	-	13,770	13,770
Unassigned	<u>(998,872)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,677)</u>	<u>(1,007,549)</u>
Total Fund Balances	<u>(614,189)</u>	<u>738,240</u>	<u>211,890</u>	<u>197,884</u>	<u>689,447</u>	<u>620,748</u>	<u>1,844,020</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,853,014</u>	<u>\$ 738,808</u>	<u>\$ 248,937</u>	<u>\$ 791,373</u>	<u>\$ 701,760</u>	<u>\$ 1,087,986</u>	<u>\$ 5,421,878</u>

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

(Expressed in Thousands)

Total Fund Balance - Governmental Funds	\$	1,844,020
Net assets 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. These assets consist of:		
Buildings	4,321,143	
Equipment	2,473,723	
Infrastructure	14,673,328	
Other Capital Assets	6,758,131	
Accumulated Depreciation	<u>(14,575,793)</u>	13,650,532
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the governmental fund:		
		625,143
Deferred Inflows of resources are not reported in the governmental funds:		
Related to pensions		(83,337)
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.		
		53,954
Deferred outflows of resources are not reported in the governmental funds:		
Amount on refunding of bonded debt		95,903
Related to pensions		2,558,497
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 16).		
Net Pension Liability	(27,459,972)	
Net OPEB Obligation	(9,927,951)	
Worker's Compensation	(684,401)	
Capital Leases	(32,342)	
Compensated Absences	(509,859)	
Claims and Judgments	(62,849)	
Landfill Postclosure Care	<u>(49,433)</u>	(38,726,807)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement (Note 16).		
Bonds and Notes Payable	(22,266,897)	
Unamortized Premiums	(1,672,204)	
Accrued Interest Payable	<u>(206,543)</u>	(24,145,644)
Net Position of Governmental Activities	\$	<u><u>(44,127,739)</u></u>

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

**Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds**
For The Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Restricted Grants & Accounts</u>	<u>Grant & Loan Programs</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 15,217,329	\$ -	\$ 947,123	\$ -	\$ -	\$ -	\$ 16,164,452
Licenses, Permits, and Fees	293,494	-	341,359	11,587	-	87,499	733,939
Tobacco Settlement	-	-	-	-	-	120,448	120,448
Federal Grants and Aid	1,857,171	-	12,181	6,016,992	-	71,654	7,957,998
State Grants and Aid	222	-	-	-	-	-	222
Lottery Tickets	335,387	-	-	-	-	-	335,387
Charges for Services	43,466	-	64,726	-	-	938	109,130
Fines, Forfeits, and Rents	14,183	-	20,461	-	-	847	35,491
Casino Gaming Payments	265,907	-	-	-	-	-	265,907
Investment Earnings (Loss)	828	11,621	2,376	1,258	5,748	2,653	24,484
Interest on Loans	-	-	-	-	-	35	35
Miscellaneous	186,727	-	5,607	725,829	11,856	138,299	1,068,318
Total Revenues	<u>18,214,714</u>	<u>11,621</u>	<u>1,393,833</u>	<u>6,755,666</u>	<u>17,604</u>	<u>422,373</u>	<u>26,815,811</u>
Expenditures							
Current:							
Legislative	121,301	-	-	3,192	-	304	124,797
General Government	1,139,008	-	4,994	276,936	777,714	108,610	2,307,262
Regulation and Protection	446,840	-	110,904	110,246	19,806	181,370	869,166
Conservation and Development	260,509	-	4,280	343,942	249,087	145,353	1,003,171
Health and Hospitals	2,229,113	-	-	246,212	16,196	44,284	2,535,805
Transportation	-	-	822,611	776,671	81,618	-	1,680,900
Human Services	4,023,630	-	2,177	4,299,483	12,255	8,170	8,345,715
Education, Libraries, and Museums	4,237,789	-	-	566,732	37,325	3,641	4,845,487
Corrections	2,059,744	-	-	22,441	915	3,530	2,086,630
Judicial	958,845	-	-	19,943	-	51,536	1,030,324
Capital Projects	-	-	-	-	-	1,202,184	1,202,184
Debt Service:							
Principal Retirement	1,379,667	256,845	-	-	-	-	1,636,512
Interest and Fiscal Charges	587,267	206,658	1,024	148,632	3,179	7,789	954,549
Total Expenditures	<u>17,443,713</u>	<u>463,503</u>	<u>945,990</u>	<u>6,814,430</u>	<u>1,198,095</u>	<u>1,756,771</u>	<u>28,622,502</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>771,001</u>	<u>(451,882)</u>	<u>447,843</u>	<u>(58,764)</u>	<u>(1,180,491)</u>	<u>(1,334,398)</u>	<u>(1,806,691)</u>
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,113,711	1,847,799	2,961,510
Premiums on Bonds Issued	-	121,751	-	-	75,503	245,078	442,332
Transfers In	177,206	526,021	5,875	212,112	-	87,807	1,009,021
Transfers Out	(1,375,408)	(6,485)	(499,415)	(40,270)	(72,325)	(761,413)	(2,755,316)
Refunding Bonds Issued	-	721,635	-	-	-	-	721,635
Payment to Refunded Bond Escrow Agent	-	(841,226)	-	-	-	-	(841,226)
Capital Lease Obligations	3,034	-	-	-	-	-	3,034
Total Other Financing Sources (Uses)	<u>(1,195,168)</u>	<u>521,696</u>	<u>(493,540)</u>	<u>171,842</u>	<u>1,116,889</u>	<u>1,419,271</u>	<u>1,540,990</u>
Net Change in Fund Balances	<u>(424,167)</u>	<u>69,814</u>	<u>(45,697)</u>	<u>113,078</u>	<u>(63,602)</u>	<u>84,873</u>	<u>(265,701)</u>
Fund Balances (Deficit) - Beginning	(189,849)	668,426	257,288	84,806	753,049	535,875	2,109,595
Change in Reserve for Inventories	(173)	-	299	-	-	-	126
Fund Balances (Deficit) - Ending	<u>\$ (614,189)</u>	<u>\$ 738,240</u>	<u>\$ 211,890</u>	<u>\$ 197,884</u>	<u>\$ 689,447</u>	<u>\$ 620,748</u>	<u>\$ 1,844,020</u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2016

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ (265,575)

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

Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long term-liabilities in the Statement of Net Position. Bond proceeds were received this year from:

Bonds Issued	(2,961,510)	
Refunding Bonds Issued	(721,635)	
Premium on Bonds Issued	(442,332)	(4,125,477)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Long-term debt repayments this year consisted of:

Principal Retirement	1,637,209	
Payments to Refunded Bond Escrow Agent	841,226	
Capital Lease Payments	6,060	2,484,495

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 (3,034)

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	1,660,305	
Depreciation Expense	(984,382)	
Retirements	(1,263)	674,660

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 consumption exceeded purchases of inventories. 126

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Accrued Interest	(13,748)	
Increase in Interest Accreted on Capital Appreciation Debt	(16,879)	
Amortization of Bond Premium	171,985	
Amortization of Loss on Debt Refundings	(18,340)	
Decrease in Compensated Absences Liability	(12,266)	
Increase in Workers Compensation Liability	(33,217)	
Increase in Claims and Judgments Liability	12,738	
Decrease in Landfill Liability	(14,248)	
Increase in Net Pension Liability	(1,344,509)	
Increase in total Pension related Inflows affecting operations	(440,635)	
Decrease in total Pension related Outflows affecting operations	488,431	
Increase in Net OPEB Obligation	(945,025)	(2,165,713)

Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year. 152,226

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities. 885

Change in Net Position of Governmental Activities	\$ (3,247,407)
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The accompanying notes are an integral part of the financial statements.

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Proprietary Fund Financial Statements

Major Funds:

University of Connecticut and 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 which consist of four universities: Central, Eastern, Southern, and Western, as well as the State community colleges system which consists of twelve regional community colleges.

Employment Security:

This fund is used to account for the collection of 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 projects.

Nonmajor Funds:

Nonmajor proprietary funds are presented, by fund type beginning on page 126.

Statement of Net Position

Proprietary Funds

June 30, 2016

(Expressed in Thousands)

	Business-Type Activities		
	Enterprise Funds		
	University of Connecticut & Health Center	Board of Regents	Employment Security
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 427,779	\$ 300,459	\$ 1,693
Deposits with U.S. Treasury	-	-	382,161
Investments	661	33,478	-
Receivables:			
Accounts, Net of Allowances	141,461	35,943	197,579
Loans, Net of Allowances	2,226	3,791	-
Interest	-	-	-
From Other Governments	-	2,167	8,188
Due from Other Funds	175,437	207,772	974
Inventories	12,667	-	-
Restricted Assets	149,081	-	-
Other Current Assets	24,212	6,488	-
Total Current Assets	<u>933,524</u>	<u>590,098</u>	<u>590,595</u>
Noncurrent Assets:			
Cash and Cash Equivalents	-	134,139	-
Investments	13,601	31,303	-
Receivables:			
Loans, Net of Allowances	10,727	8,099	-
Restricted Assets	416	-	-
Capital Assets, Net of Accumulated Depreciation	2,643,404	1,869,445	-
Other Noncurrent Assets	4,472	1,220	-
Total Noncurrent Assets	<u>2,672,620</u>	<u>2,044,206</u>	<u>-</u>
Total Assets	<u>3,606,144</u>	<u>2,634,304</u>	<u>590,595</u>
Deferred Outflows of Resources			
Unamortized Losses on Bond Refundings	4,815	-	-
Other Deferred Outflows	-	2,921	-
Total Deferred Outflows of Resources	<u>4,815</u>	<u>2,921</u>	<u>-</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	268,984	113,090	676
Due to Other Funds	18,158	3,528	442
Due to Other Governments	-	-	239
Current Portion of Long-Term Obligations	68,055	26,520	-
Unearned Revenue	-	43,467	-
Other Current Liabilities	93,170	8,723	-
Total Current Liabilities	<u>448,367</u>	<u>195,328</u>	<u>1,357</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	450,649	387,954	-
Total Noncurrent Liabilities	<u>450,649</u>	<u>387,954</u>	<u>-</u>
Total Liabilities	<u>899,016</u>	<u>583,282</u>	<u>1,357</u>
Deferred Inflows of Resources			
Other Deferred Inflows	3,886	15,107	-
Total Deferred Inflows of Resources	<u>3,886</u>	<u>15,107</u>	<u>-</u>
Net Position (Deficit)			
Net Investment in Capital Assets	2,100,398	1,698,813	-
Restricted For:			
Debt Service	-	-	-
Clean and Drinking Water Projects	-	-	-
Capital Projects	166,916	-	-
Nonexpendable Purposes	12,593	487	-
Loans	2,597	-	-
Other Purposes	24,516	164,520	-
Unrestricted (Deficit)	401,037	175,017	589,238
Total Net Position (Deficit)	<u>\$ 2,708,057</u>	<u>\$ 2,038,837</u>	<u>\$ 589,238</u>

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

<u>Business-Type Activities</u>			<u>Governmental</u>
<u>Enterprise Funds</u>			<u>Activities</u>
<u>Clean Water</u>	<u>Other Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 6,633	\$ 47,576	\$ 784,140	\$ 12,502
-	-	382,161	-
-	-	34,139	-
-	7,567	382,550	258
203,481	23,496	232,994	-
4,590	423	5,013	-
-	-	10,355	-
-	-	384,183	5,182
-	-	12,667	4,211
-	-	149,081	-
-	11	30,711	194
<u>214,704</u>	<u>79,073</u>	<u>2,407,994</u>	<u>22,347</u>
276,258	72,384	482,781	-
10,806	-	55,710	-
845,986	108,223	973,035	-
199,105	63,753	263,274	-
-	25,848	4,538,697	55,369
-	363	6,055	107
<u>1,332,155</u>	<u>270,571</u>	<u>6,319,552</u>	<u>55,476</u>
<u>1,546,859</u>	<u>349,644</u>	<u>8,727,546</u>	<u>77,823</u>
4,307	82	9,204	-
-	-	2,921	-
<u>4,307</u>	<u>82</u>	<u>12,125</u>	<u>-</u>
10,308	10,701	403,759	2,367
-	-	22,128	19,265
-	-	239	-
61,232	9,790	165,597	86
-	-	43,467	-
-	-	101,893	-
<u>71,540</u>	<u>20,491</u>	<u>737,083</u>	<u>21,718</u>
<u>738,825</u>	<u>137,069</u>	<u>1,714,497</u>	<u>2,151</u>
<u>738,825</u>	<u>137,069</u>	<u>1,714,497</u>	<u>2,151</u>
<u>810,365</u>	<u>157,560</u>	<u>2,451,580</u>	<u>23,869</u>
-	11	19,004	-
-	11	19,004	-
-	(4,747)	3,794,464	55,476
-	4,508	4,508	-
568,642	144,913	713,555	-
-	-	166,916	-
-	-	13,080	-
-	-	2,597	-
-	-	189,036	-
<u>172,159</u>	<u>47,481</u>	<u>1,384,932</u>	<u>(1,522)</u>
<u>\$ 740,801</u>	<u>\$ 192,155</u>	<u>\$ 6,269,088</u>	<u>\$ 53,954</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Business-Type Activities		
	Enterprise Funds		
	University of Connecticut & Health Center	Board of Regents	Employment Security
Operating Revenues			
Charges for Sales and Services (Net of allowances & discounts \$216,447)	\$ 1,121,441	\$ 473,054	\$ -
Assessments	-	-	810,211
Federal Grants, Contracts, and Other Aid	189,287	141,202	118,395
State Grants, Contracts, and Other Aid	35,135	23,616	14,036
Private Gifts and Grants	46,606	7,663	-
Interest on Loans	-	-	-
Other	100,735	24,564	122,589
Total Operating Revenues	<u>1,493,204</u>	<u>670,099</u>	<u>1,065,231</u>
Operating Expenses			
Salaries, Wages, and Administrative	2,010,765	1,189,972	-
Unemployment Compensation	-	-	686,494
Claims Paid	-	-	-
Depreciation and Amortization	109,151	93,906	-
Other	123,772	68,497	-
Total Operating Expenses	<u>2,243,688</u>	<u>1,352,375</u>	<u>686,494</u>
Operating Income (Loss)	<u>(750,484)</u>	<u>(682,276)</u>	<u>378,737</u>
Nonoperating Revenue (Expenses)			
Interest and Investment Income	1,598	1,968	-
Interest and Fiscal Charges	(11,523)	(10,147)	-
Other - Net	62,539	6,780	-
Total Nonoperating Revenues (Expenses)	<u>52,614</u>	<u>(1,399)</u>	<u>-</u>
Income (Loss) Before Capital Contributions, Grants, and Transfers	<u>(697,870)</u>	<u>(683,675)</u>	<u>378,737</u>
Capital Contributions	5,071	955	-
Federal Capitalization Grants	-	-	-
Transfers In	970,992	794,042	-
Transfers Out	-	(5,900)	(18,503)
Change in Net Position	278,193	105,422	360,234
Total Net Position (Deficit) - Beginning (as restated)	<u>2,429,864</u>	<u>1,933,415</u>	<u>229,004</u>
Total Net Position (Deficit) - Ending	<u>\$ 2,708,057</u>	<u>\$ 2,038,837</u>	<u>\$ 589,238</u>

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

Business-Type Activities			Governmental
Enterprise Funds			Activities
Clean Water	Other Funds	Totals	Internal Service Funds
\$ -	\$ 26,667	\$ 1,621,162	\$ 55,821
-	39,799	850,010	-
-	-	448,884	-
-	-	72,787	-
-	-	54,269	-
20,979	2,721	23,700	-
-	649	248,537	153
<u>20,979</u>	<u>69,836</u>	<u>3,319,349</u>	<u>55,974</u>
925	18,669	3,220,331	35,124
-	-	686,494	-
-	26,546	26,546	-
-	1,140	204,197	17,754
-	1,701	193,970	-
<u>925</u>	<u>48,056</u>	<u>4,331,538</u>	<u>52,878</u>
<u>20,054</u>	<u>21,780</u>	<u>(1,012,189)</u>	<u>3,096</u>
8,055	879	12,500	437
(37,444)	(6,071)	(65,185)	-
<u>6,626</u>	<u>(11,630)</u>	<u>64,315</u>	<u>(2,648)</u>
<u>(22,763)</u>	<u>(16,822)</u>	<u>11,630</u>	<u>(2,211)</u>
<u>(2,709)</u>	<u>4,958</u>	<u>(1,000,559)</u>	<u>885</u>
-	-	6,026	-
10,475	7,845	18,320	-
1,589	4,075	1,770,698	-
-	-	(24,403)	-
<u>9,355</u>	<u>16,878</u>	<u>770,082</u>	<u>885</u>
<u>731,446</u>	<u>175,277</u>	<u>5,499,006</u>	<u>53,069</u>
<u>\$ 740,801</u>	<u>\$ 192,155</u>	<u>\$ 6,269,088</u>	<u>\$ 53,954</u>

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Business-Type Activities		
	Enterprise Funds		
	University of Connecticut & Health Center	Board of Regents	Employment Security
Cash Flows from Operating Activities			
Receipts from Customers	\$ 1,123,452	\$ 462,200	\$ 801,500
Payments to Suppliers	(699,326)	(307,142)	-
Payments to Employees	(1,374,776)	(923,605)	-
Other Receipts (Payments)	394,153	177,139	(781,345)
Net Cash Provided by (Used in) Operating Activities	<u>(556,497)</u>	<u>(591,408)</u>	<u>20,155</u>
Cash Flows from Noncapital Financing Activities			
Retirement of Bonds and Annuities Payable	-	-	-
Interest on Bonds and Annuities Payable	-	-	-
Transfers In	528,519	592,727	-
Transfers Out	-	-	(18,503)
Other Receipts (Payments)	33,962	14,680	-
Net Cash Flows from Noncapital Financing Activities	<u>562,481</u>	<u>607,407</u>	<u>(18,503)</u>
Cash Flows from Capital and Related Financing Activities			
Additions to Property, Plant, and Equipment	(445,722)	(109,187)	-
Proceeds from Capital Debt	300,000	-	-
Principal Paid on Capital Debt	(105,525)	(20,247)	-
Interest Paid on Capital Debt	(68,696)	(12,158)	-
Transfer In	302,623	150,984	-
Federal Grant	-	-	-
Other Receipts (Payments)	40,874	(45,294)	-
Net Cash Flows from Capital and Related Financing Activities	<u>23,554</u>	<u>(35,902)</u>	<u>-</u>
Cash Flows from Investing Activities			
Proceeds from Sales and Maturities of Investments	-	74,993	-
Purchase of Investment Securities	(1,514)	(35,963)	-
Interest on Investments	1,392	1,846	1,599
(Increase) Decrease in Restricted Assets	-	-	-
Other Receipts (Payments)	-	-	-
Net Cash Flows from Investing Activities	<u>(122)</u>	<u>40,876</u>	<u>1,599</u>
Net Increase (Decrease) in Cash and Cash Equivalents	29,416	20,973	3,251
Cash and Cash Equivalents - Beginning of Year	547,861	413,625	776
Cash and Cash Equivalents - End of Year	<u>\$ 577,277</u>	<u>\$ 434,598</u>	<u>\$ 4,027</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Operating Income (Loss)	\$ (750,484)	\$ (682,276)	\$ 378,737
Adjustments not Affecting Cash:			
Depreciation and Amortization	97,913	93,905	-
Other	173,492	(9,587)	-
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables, Net	(13,169)	(32)	(252,024)
(Increase) Decrease in Due from Other Funds	-	-	(3,820)
(Increase) Decrease in Inventories and Other Assets	3,729	89	-
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(67,978)	7,919	(102,423)
Increase (Decrease) in Due to Other Funds	-	(1,426)	(315)
Total Adjustments	193,987	90,868	(358,582)
Net Cash Provided by (Used In) Operating Activities	<u>\$ (556,497)</u>	<u>\$ (591,408)</u>	<u>\$ 20,155</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets			
Cash and Cash Equivalents - Current	\$ 427,780	\$ 300,459	
Cash and Cash Equivalents - Noncurrent	-	134,139	
Cash and Cash Equivalents - Restricted	149,497	-	
	<u>\$ 577,277</u>	<u>\$ 434,598</u>	
Noncash Investing, Capital, and Financing Activities:			
Mortgage Proceeds held by Trustee in Construction Escrow	8,559	-	
Fixed assets included in accounts payable	-	5,253	
State financed plant facilities	-	955	

For further information on Noncash transactions, see the University of Connecticut's financial statements

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

Business-Type Activities			Governmental
Enterprise Funds			Activities
Clean Water	Other	Totals	Internal Service Funds
\$ 104,057	\$ 79,463	\$ 2,570,672	\$ 57,733
-	(7,677)	(1,014,145)	(27,060)
(738)	(12,546)	(2,311,665)	(10,558)
<u>(128,314)</u>	<u>(48,777)</u>	<u>(387,144)</u>	<u>75</u>
<u>(24,995)</u>	<u>10,463</u>	<u>(1,142,282)</u>	<u>20,190</u>
(73,802)	(9,758)	(83,560)	-
(33,811)	(5,641)	(39,452)	-
2,001	-	1,123,247	-
-	4,075	(14,428)	-
-	(12,298)	36,344	(2,648)
<u>(105,612)</u>	<u>(23,622)</u>	<u>1,022,151</u>	<u>(2,648)</u>
-	-	(554,909)	(15,678)
-	-	300,000	-
-	-	(125,772)	-
-	-	(80,854)	-
-	-	453,607	-
10,475	8,350	18,825	-
-	-	(4,420)	-
<u>10,475</u>	<u>8,350</u>	<u>6,477</u>	<u>(15,678)</u>
-	-	74,993	-
-	-	(37,477)	-
8,477	892	14,206	437
136,966	-	136,966	-
<u>(22,784)</u>	<u>9,053</u>	<u>(13,731)</u>	<u>-</u>
<u>122,659</u>	<u>9,945</u>	<u>174,957</u>	<u>437</u>
2,527	5,136	61,303	2,301
4,105	42,441	1,008,808	10,201
<u>\$ 6,632</u>	<u>\$ 47,577</u>	<u>\$ 1,070,111</u>	<u>\$ 12,502</u>
\$ 20,054	\$ 21,780	\$ (1,012,189)	\$ 3,096
-	1,140	192,958	17,754
-	-	163,905	-
(45,049)	710	(309,564)	412
-	-	(3,820)	1,500
-	(11,018)	(7,200)	(77)
-	(2,149)	(164,631)	(2,495)
-	-	(1,741)	-
<u>(45,049)</u>	<u>(11,317)</u>	<u>(130,093)</u>	<u>17,094</u>
<u>\$ (24,995)</u>	<u>\$ 10,463</u>	<u>\$ (1,142,282)</u>	<u>\$ 20,190</u>

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Fiduciary Fund Financial Statements

Investment Trust Fund

External Investment Pool:

This fund is used to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Private Purpose Trust Fund

Escheat Securities:

This fund is used to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Individual fund descriptions and financial statements begin on the following pages:

Pension (and Other Employee Benefit) Trust Funds, page 134

Agency Funds, page 140

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private- Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Current:					
Cash and Cash Equivalents	\$ 87,867	\$ -	\$ -	\$ 233,916	\$ 321,783
Receivables:					
Accounts, Net of Allowances	40,231	-	-	1,627	41,858
From Other Governments	1,075	-	-	-	1,075
From Other Funds	1,974	-	-	4,149	6,123
Interest	1,538	2,009	-	52	3,599
Investments (See Note 3)	29,135,806	1,375,910	-	-	30,511,716
Securities Lending Collateral	2,587,749	-	-	-	2,587,749
Other Assets	-	50	3,766	352,731	356,547
Noncurrent:					
Due From Employers	279,178	-	-	-	279,178
Total Assets	<u>32,135,418</u>	<u>1,377,969</u>	<u>3,766</u>	<u>\$ 592,475</u>	<u>34,109,628</u>
Liabilities					
Accounts Payable and Accrued Liabilities	39,098	495	-	\$ 51,562	91,155
Securities Lending Obligation	2,587,749	-	-	-	2,587,749
Due to Other Funds	27,245	-	-	347	27,592
Funds Held for Others	-	-	-	540,566	540,566
Total Liabilities	<u>2,654,092</u>	<u>495</u>	<u>-</u>	<u>\$ 592,475</u>	<u>3,247,062</u>
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 12)	29,035,205	-	-		29,035,205
Other Employee Benefits (Note 14)	446,121	-	-		446,121
Individuals, Organizations, and Other Governments	-	1,377,474	3,766		1,381,240
Total Net Position	<u>\$ 29,481,326</u>	<u>\$ 1,377,474</u>	<u>\$ 3,766</u>		<u>\$ 30,862,566</u>

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

(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>Total</u>
Additions				
Contributions:				
Plan Members	\$ 672,853	\$ -	\$ -	\$ 672,853
State	3,124,195	-	-	3,124,195
Municipalities	136,572	-	-	136,572
Total Contributions	<u>3,933,620</u>	<u>-</u>	<u>-</u>	<u>3,933,620</u>
Investment Income	88,511	130,290	-	218,801
Less: Investment Expense	(79,303)	(14,654)	-	(93,957)
Net Investment Income	<u>9,208</u>	<u>115,636</u>	<u>-</u>	<u>124,844</u>
Escheat Securities Received	-	-	21,951	21,951
Pool's Share Transactions	-	371,579	-	371,579
Other	13,578	-	-	13,578
Total Additions	<u>3,956,406</u>	<u>487,215</u>	<u>21,951</u>	<u>4,465,572</u>
Deductions				
Administrative Expense	4,263	-	-	4,263
Benefit Payments and Refunds	4,405,775	-	-	4,405,775
Escheat Securities Returned or Sold	-	-	17,633	17,633
Distributions to Pool Participants	-	115,636	-	115,636
Other	155,337	-	1,145	156,482
Total Deductions	<u>4,565,375</u>	<u>115,636</u>	<u>18,778</u>	<u>4,699,789</u>
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	(608,969)	-	-	(608,969)
Individuals, Organizations, and Other Governments	-	371,579	3,173	374,752
Net Position - Beginning (as restated)	<u>30,090,295</u>	<u>1,005,895</u>	<u>593</u>	<u>31,096,783</u>
Net Position - Ending	<u>\$ 29,481,326</u>	<u>\$ 1,377,474</u>	<u>\$ 3,766</u>	<u>\$ 30,862,566</u>

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

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Component Unit Financial Statements

Major Component Units:

Connecticut Housing Finance Authority:

The Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State 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 throughout the State.

Connecticut Airport Authority:

The Connecticut Airport Authority, a public instrumentality and political subdivision of the State of Connecticut was established on July 1, 2011, to operate Bradley International Airport as well as the other State-owned (general aviation) airports.

The Connecticut Lottery Corporation:

The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

Nonmajor:

The nonmajor component units are presented beginning on page 144.

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**Statement of Net Position
Component Units**

June 30, 2016

(Expressed in Thousands)

	Connecticut Housing Finance Authority (12-31-15)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 19,277	\$ 83,045	\$ 174,827	\$ 277,149
Investments	-	8,071	-	399,872	407,943
Receivables:					
Accounts, Net of Allowances	-	27,063	6,242	47,243	80,548
Loans, Net of Allowances	-	-	-	6,311	6,311
Other	-	1,641	-	1,842	3,483
Due From Other Governments	-	-	3,654	-	3,654
Due From Primary Government	-	-	4,789	413	5,202
Restricted Assets	630,199	-	23,425	423,105	1,076,729
Inventories	-	-	-	5,954	5,954
Other Current Assets	-	4,223	63	14,119	18,405
Total Current Assets	<u>630,199</u>	<u>60,275</u>	<u>121,218</u>	<u>1,073,686</u>	<u>1,885,378</u>
Noncurrent Assets:					
Investments	-	122,263	-	83,346	205,609
Accounts, Net of Allowances	-	-	-	30,472	30,472
Loans, Net of Allowances	-	-	-	441,073	441,073
Restricted Assets	4,348,509	-	96,262	63,754	4,508,525
Capital Assets, Net of Accumulated Depreciation	3,599	871	322,613	466,011	793,094
Other Noncurrent Assets	-	4,834	-	49,304	54,138
Total Noncurrent Assets	<u>4,352,108</u>	<u>127,968</u>	<u>418,875</u>	<u>1,133,960</u>	<u>6,032,911</u>
Total Assets	<u>4,982,307</u>	<u>188,243</u>	<u>540,093</u>	<u>2,207,646</u>	<u>7,918,289</u>
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	74,671	-	23,870	-	98,541
Unamortized Losses on Bond Refundings	64,465	-	1,876	-	66,341
Related to Pensions	9,828	4,561	-	5,354	19,743
Other	-	-	-	72	72
Total Deferred Outflows of Resources	<u>148,964</u>	<u>4,561</u>	<u>25,746</u>	<u>5,426</u>	<u>184,697</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	20,909	10,140	14,195	78,891	124,135
Current Portion of Long-Term Obligations	339,314	8,741	6,690	15,051	369,796
Due To Primary Government	-	-	922	34,701	35,623
Amount Held for Institutions	-	-	-	318,694	318,694
Other Liabilities	-	31,704	5,804	10,902	48,410
Total Current Liabilities	<u>360,223</u>	<u>50,585</u>	<u>27,611</u>	<u>458,239</u>	<u>896,658</u>
Noncurrent Liabilities:					
Pension Liability	65,654	40,525	57,383	43,085	206,647
Noncurrent Portion of Long-Term Obligations	3,816,340	122,767	140,161	558,409	4,637,677
Total Noncurrent Liabilities	<u>3,881,994</u>	<u>163,292</u>	<u>197,544</u>	<u>601,494</u>	<u>4,844,324</u>
Total Liabilities	<u>4,242,217</u>	<u>213,877</u>	<u>225,155</u>	<u>1,059,733</u>	<u>5,740,982</u>
Other Deferred Inflows					
Unamortized Investment Earnings	-	-	-	(3)	(3)
Related to Pensions	-	4,573	1,492	1,592	7,657
Other Deferred Inflows	-	-	-	1,889	1,889
Total Deferred Inflows of Resources	<u>-</u>	<u>4,573</u>	<u>1,492</u>	<u>3,478</u>	<u>9,543</u>
Net Position					
Net Investment in Capital Assets	3,599	871	196,627	320,619	521,716
Restricted:					
Debt Service	-	-	7,276	-	7,276
Bond Indentures	885,455	-	2,101	-	887,556
Expendable Endowments	-	-	-	85,872	85,872
Nonexpendable Endowments	-	-	-	355,533	355,533
Capital Projects	-	-	110,309	-	110,309
Other Purposes	-	(9,009)	-	89,908	80,899
Unrestricted (Deficit)	<u>-</u>	<u>(17,508)</u>	<u>22,879</u>	<u>297,929</u>	<u>303,300</u>
Total Net Position	<u>\$ 889,054</u>	<u>\$ (25,646)</u>	<u>\$ 339,192</u>	<u>\$ 1,149,861</u>	<u>\$ 2,352,461</u>

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

Statement of Activities

Component Units

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Housing Finance Authority (12/31/15)	\$ 198,050	\$ 170,035	\$ -	\$ -
Connecticut Lottery Corporation	1,228,424	1,230,836	-	-
Connecticut Airport Authority	91,497	95,811	-	6,021
Other Component Units	323,880	290,359	12,020	3,854
Total Component Units	<u>\$ 1,841,851</u>	<u>\$ 1,787,041</u>	<u>\$ 12,020</u>	<u>\$ 9,875</u>

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

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

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

Connecticut Housing Finance Authority (12-31-15)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
\$ (28,015)	\$ -	\$ -	\$ -	\$ (28,015)
-	2,412	-	-	2,412
-	-	10,335	-	10,335
-	-	-	(17,647)	(17,647)
<u>(28,015)</u>	<u>2,412</u>	<u>10,335</u>	<u>(17,647)</u>	<u>(32,915)</u>
<u>7,592</u>	<u>6,597</u>	<u>255</u>	<u>(5,953)</u>	<u>8,491</u>
<u>7,592</u>	<u>6,597</u>	<u>255</u>	<u>(5,953)</u>	<u>8,491</u>
(20,423)	9,009	10,590	(23,600)	(24,424)
909,477	(34,655)	328,602	1,173,461	2,376,885
<u>\$ 889,054</u>	<u>\$ (25,646)</u>	<u>\$ 339,192</u>	<u>\$ 1,149,861</u>	<u>\$ 2,352,461</u>

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Notes to the Financial Statements

June 30, 2016

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. The State reported as component units the following organizations that are public instrumentalities and political subdivisions of the State (public authorities).

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, 2015.

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.

CHFA, MIRA, CHESLA, CHEFA, CSLF, and CRDA 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.

CI and CGB are reported as component units because the State appoints a voting majority of the organization's governing

board and has the ability to access the resources of the organization.

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.

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.

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.

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. 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 2016 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

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 2017 a withdrawal of \$170.4 million will be made to cover the budgetary shortfall in fiscal year 2016.

After the transfer is made to cover the shortfall in fiscal year 2016 the Budget Reserve Fund will have a balance of \$235.6 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.

f. 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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

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.

g. 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.

h. 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.

i. 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.

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.

I. 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, 2016, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects

Transportation \$ 718

Enterprise

Bradley Parking Garage \$22,202

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, 2016, STIF had the following investments and maturities (amounts in thousands):

Investment Type	Short-Term Investment Fund		
	Amortized Cost	Investment Maturities (in years)	
		Less Than 1	1-5
Federal Agency Securities	\$ 1,948,162	\$ 1,938,162	\$ 10,000
Bank Commercial Paper	399,747	399,747	-
US Government Guaranteed or Insured	29,000	29,000	-
Government Money Market Funds	190,532	190,532	-
Repurchase Agreements	450,000	450,000	-
Total Investments	\$ 3,017,441	\$ 3,007,441	\$ 10,000

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, 2016, the weighted average maturity of the STIF was 40 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 25 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, 2016, the amount of STIF's investments in variable-rate securities was \$885 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, 2016, STIF’s investments were rated by Standard and Poor’s as follows (amounts in thousands):

Investment Type	Short-Term Investment Fund			
	Amortized Cost	Quality Ratings		
		AAAm	AA+/A-1+	A/A-1
Federal Agency Securities	\$ 1,948,162	\$ -	\$ 1,948,162	\$ -
Bank Commercial Paper	399,747	-	399,747	-
U.S. Government Guaranteed & Insured Securities	29,000	-	29,000	-
Government Money Market Funds	190,532	190,532	-	-
Repurchase Agreements	450,000	-	200,000	250,000
Total Investments	\$ 3,017,441	\$ 190,532	\$ 2,576,909	\$ 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, 2016, STIF’s investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Home Loan Bank	\$ 670,144
Federal Farm Credit Bank	\$ 736,407
U.S. Bank	\$ 225,000
Commercial Paper	\$ 174,747
Freddie Mac	\$ 244,578
Merryl Lynch	\$ 250,000
Fannie Mae	\$ 297,034
Western Asset	\$ 190,532
RBC Capital Markets	\$ 200,000

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, 2016, \$1,779,500 of the bank balance of STIF’s deposits of \$1,880,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 957,025
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	822,475
Total	\$ 1,779,500

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	\$ 109,454	\$ 661	\$ 29,135,806
Other Investments	2,095	70,329	1,375,910
Total Investments-Current	\$ 111,549	\$ 70,990	\$ 30,511,716

The CIFS 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, 2016, the CIFS 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	\$ 77,377	\$ -	\$ 77,377	\$ -
Asset Backed Securities	153,162	-	153,162	-
Government Securities	3,057,456	1,162,573	1,894,883	-
Government Agency Securities	645,771	-	645,771	-
Mortgage Backed Securities	402,029	-	402,029	-
Corporate Debt	3,046,436	-	2,954,600	91,836
Convertible Securities	53,747	-	53,747	-
Common Stock	13,540,539	13,540,539	-	-
Preferred Stock	87,632	78,400	9,232	-
Real Estate Investment Trust	385,415	324,390	61,025	-
Mutual Fund	703,637	171,221	-	532,416
Limited Partnerships	2,199	2,199	-	-
Total	\$ 22,155,400	\$ 15,279,322	\$ 6,251,826	\$ 624,252

Investments Measured at the Net Asset Value (NAV)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Business Development Corporation	99,612	\$ 45,103	Illiquid
Limited Liability Corporation	1,156	-	Illiquid
Trusts	530	-	Illiquid
Limited Partnerships	6,949,357	1,394,251	Illiquid
Total	7,050,655	\$ 1,439,354	
Total Investments in Securities at Fair Value	\$ 29,206,055		

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):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	\$ 77,377	\$ 77,377	\$ -	\$ -	\$ -
Asset Backed Securities	153,162	9,211	118,312	15,124	10,515
Government Securities	3,057,456	118,521	1,186,623	695,703	1,056,609
Government Agency Securities	645,771	61,643	82,929	5,727	495,472
Mortgage Backed Securities	402,028	603	66,980	86,396	248,049
Corporate Debt	3,046,436	776,156	1,090,122	892,978	287,180
Convertible Debt	53,747	4,886	17,417	610	30,834
Total	\$ 7,435,977	\$ 1,048,397	\$ 2,562,383	\$ 1,696,538	\$ 2,128,659

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, 2016, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

	Combined Investment Funds							
	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt
Aaa	\$ 2,484,426	\$ -	\$ 75,616	\$ 1,477,893	\$ 603,867	\$ 271,129	\$ 55,921	\$ -
Aa	573,991	3,000	2,677	393,378	-	11,075	163,861	-
A	672,191	-	1,737	327,573	-	13,273	329,608	-
Baa	691,470	-	-	352,658	-	7,046	330,976	790
Ba	631,841	-	-	182,505	-	-	441,749	7,587
B	805,211	-	-	50,949	-	-	742,406	11,856
Caa	296,878	-	-	29,969	-	-	260,061	6,848
Ca	11,476	-	-	-	-	-	11,476	-
C	1,592	-	-	-	-	-	1,592	-
Prime 1	374,671	-	2,786	-	-	-	371,885	-
Prime 2	10,394	-	-	-	-	-	10,394	-
Government fixed not rated	50,178	-	-	8,275	41,903	-	-	-
Non Government fixed not rated	234,256	-	-	234,256	-	-	-	-
Not Rated	597,402	74,377	70,346	-	-	99,506	326,507	26,666
Total	\$ 7,435,977	\$ 77,377	\$ 153,162	\$ 3,057,456	\$ 645,770	\$ 402,029	\$ 3,046,436	\$ 53,747

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 non-U.S. denominated securities; managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2016, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Foreign Currency	Combined Investment Funds										
	Total	Fixed Income Securities						Equities			Real Estate Investment Trust Fund
		Cash	Cash	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred stock		
			Equivalent Collateral								
Argentine Peso	\$ 49	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	390,816	928	48	87,102	7,712	-	-	265,852	-	29,174	
Brazilian Real	238,391	3,397	-	86,699	-	-	-	134,189	14,106	-	
Canadian Dollar	113,770	527	-	25,029	-	-	-	85,815	-	2,399	
Chilean Peso	4,367	43	-	152	-	-	-	4,172	-	-	
Colombian Peso	34,735	5	-	32,147	2,387	-	-	196	-	-	
Czech Koruna	793	1	-	-	-	-	-	792	-	-	
Danish Krone	85,553	194	-	1,259	-	-	-	84,100	-	-	
Egyptian Pound	3,813	294	-	-	-	-	-	3,519	-	-	
Euro Currency	1,805,613	945	(5)	233,894	2,084	168	-	1,541,800	12,858	13,869	
Hong Kong Dollar	558,798	1,385	-	-	-	-	-	551,404	-	6,009	
Hungarian Forint	35,223	2	-	8,780	-	-	-	26,441	-	-	
Iceland Krona	2	2	-	-	-	-	-	-	-	-	
Indian Rupee	1,252	-	-	-	1,252	-	-	-	-	-	
Indonesian Rupiah	110,265	77	-	50,760	2,587	-	-	56,841	-	-	
Israeli Shekel	20,504	216	-	-	-	-	-	20,288	-	-	
Japanese Yen	1,190,721	7,565	-	49,956	-	-	-	1,124,737	-	8,463	
Malaysian Ringgit	83,394	30	-	65,236	-	-	-	18,128	-	-	
Mexican Peso	194,423	2,018	-	142,149	3,598	-	-	43,813	-	2,845	
New Turkish Lira	153,017	2	-	48,073	-	-	-	104,942	-	-	
New Zealand Dollar	163,784	1,407	-	149,078	-	-	-	13,299	-	-	
Nigerian Naira	181	11	-	-	-	-	-	170	-	-	
Norwegian Krone	54,992	567	-	11,188	-	-	-	43,237	-	-	
Peruvian Nouveau Sol	4,009	-	-	4,009	-	-	-	-	-	-	
Philippine Peso	51,452	6	-	1,151	-	-	-	50,295	-	-	
Polish Zloty	108,856	36	-	80,536	-	-	-	28,284	-	-	
Pound Sterling	1,135,613	2,875	44	235,944	8,003	-	8,149	868,704	-	11,894	
Romanian Leu	3,946	-	-	3,946	-	-	-	-	-	-	
Russian Ruble	27,353	-	-	27,353	-	-	-	-	-	-	
Singapore Dollar	85,880	534	-	8,241	-	-	-	71,780	-	5,325	
South African Rand	180,585	914	-	81,865	-	-	-	97,195	-	611	
South Korean Won	323,171	66	-	496	-	-	-	311,607	11,002	-	
Sri Lanka Rupee	29	-	-	-	-	-	-	29	-	-	
Swedish Krona	156,963	184	-	7,603	-	-	-	149,176	-	-	
Swiss Franc	446,233	545	-	-	-	-	-	445,688	-	-	
Thailand Baht	103,607	240	-	19,603	-	-	-	83,555	-	209	
Uruguayan Peso	1,212	-	-	1,212	-	-	-	-	-	-	
	<u>\$ 7,873,365</u>	<u>\$ 25,065</u>	<u>\$ 87</u>	<u>\$ 1,463,461</u>	<u>\$ 27,623</u>	<u>\$ 168</u>	<u>\$ 8,149</u>	<u>\$ 6,230,048</u>	<u>\$ 37,966</u>	<u>\$ 80,798</u>	

Derivatives

As of June 30, 2016, the CIFS held the following derivative investments (amounts in thousands):

Derivative Investments	Fair Value
Adjustable Rate Securities	\$ 581,229
Asset Backed Securities	153,799
Mortgage Backed Securities	303,820
Collateralized Mortgage Obligations	98,208
TBA's	41,236
Interest Only Securities	423
Options	1,281
Total	<u>\$ 1,179,996</u>

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, 2016, the fair value of contracts to buy and contracts to sell was \$11.9 billion and \$11.9 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, 2016, the CIFS had deposits with a bank balance of \$40.1 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, 2016, UConn had the following recurring fair value measurements. (amounts in thousands):

Investments by Fair Value Level	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 1,926	\$ 1,926	\$ -	\$ -
Fixed Income Securities	913	913	-	-
Equity Securities	8,129	7,376	753	-
Partnerships	3	-	-	3
Total	\$ 10,971	\$ 10,215	\$ 753	\$ 3

Investments Measured at the Net Asset Value (NAV)		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Private Capital Partnerships	\$ 1,655	\$ 215	N/A	N/A
Private Real Estate Partnerships	329	41	N/A	N/A
Natural Resource Partnerships	566	67	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	832	-	N/A	N/A
Total	3,383	\$ 323		
Total Investments in Securities at Fair Value	\$ 14,354			

As of June 30, 2016, the State had other investments and maturities as follows (amounts in thousands):

Investment Type	Other Investments				
	Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
State Bonds	\$ 17,629	\$ -	\$ 5,269	\$ 12,360	\$ -
U.S. Government and Agency Securities	112,662	55,352	6,450	50,366	494
Guaranteed Investment Contracts	130,472	-	40,712	34,882	54,878
Money Market Funds	31,261	31,261	-	-	-
Total Debt Investments	292,024	\$ 86,613	\$ 52,431	\$ 97,608	\$ 55,372
Endowment Pool	12,593				
Corporate Stock	1,758				
Limited Partnership	3				
Total Investments	\$ 306,378				

Credit Risk

As of June 30, 2016, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Investment Type	Fair Value	Quality Ratings		
		AA	A	Unrated
State Bonds	\$ 17,629	\$ 17,629	\$ -	\$ -
U.S. Government and Agency Securities	62,447	62,447	-	-
Guaranteed Investment Contracts	130,472	34,882	95,590	-
Money Market Funds	31,261	-	-	31,261
Total	\$ 241,809	\$ 114,958	\$ 95,590	\$ 31,261

Connecticut State Universities reported \$50 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, 2016, \$438,282 of the bank balance of the Primary Government of \$441,570 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 38,456
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	399,826
Total	\$ 438,282

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2015 and June 30, 2016, respectively (amounts in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 743	\$ -	\$ -	\$ 743	\$ -
GNMA & FNMA Program Assets	846,159	-	-	-	846,159
Mortgage Backed Securities	768	-	-	125	643
Money Market	15,624	15,624			
Municipal Bonds	42,750	213	1,258	1,655	39,624
STIF	448,707	448,707	-	-	-
Structured Securities	450	-	-	-	450
U.S. Government Agency Securities	892	-	-	-	892
Total Debt Investments	1,356,093	\$ 464,544	\$ 1,258	\$ 2,523	\$ 887,768
Annuity Contracts	130,333				
Total Investments	\$ 1,486,426				

The CHFA and the CLC own 91.2 percent and 8.8 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 December 31, 2015 as follows (amounts in thousands):

Investment Type	Component Units		Quality Ratings		
	Fair				
	Value	AAA	CCC	D	Unrated
Collateralized Mortgage Obligations	\$ 743	\$ -	\$ 743	\$ -	\$ -
Municipal Bonds	42,750		-	-	42,750
Money Market	15,624				15,624
STIF	448,707	448,707			-
Structured Securities	450	-	-	450	-
Total	<u>\$ 508,274</u>	<u>\$ 448,707</u>	<u>\$ 743</u>	<u>\$ 450</u>	<u>\$ 58,374</u>

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, 2015, 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 exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were \$2,590.9 million and \$2,512.6 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 49.46 days and an average weighted maturity of 57.77 days.

Note 4 Receivables-Current

As of June 30, 2016, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 1,655,010	\$ -	\$ -
Accounts	1,192,158	492,044	84,093
Loans-Current Portion	-	232,994	6,311
Other Governments	393,493	10,355	3,654
Interest	636	2,591	105
Other (1)	25,638	2,422	3,378
Total Receivables	3,266,935	740,406	97,541
Allowance for			
Uncollectibles	(883,119)	(109,494)	(3,545)
Receivables, Net	<u>\$ 2,383,816</u>	<u>\$ 630,912</u>	<u>\$ 93,996</u>

(1) Includes a reconciling amount of \$25,634 million from fund financial statements to government-wide financial statements.

Note 5 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2016 (amounts in thousands):

	Governmental Activities		Total
	General Fund	Transportation Fund	
Sales and Use	\$ 637,072	\$ -	\$ 637,072
Income Taxes	462,231	-	462,231
Corporations	72,650	-	72,650
Gasoline and Special Fuel	-	141,760	141,760
Various Other	341,297	-	341,297
Total Taxes Receivable	1,513,250	141,760	1,655,010
Allowance for Uncollectibles	(158,408)	(169)	(158,577)
Taxes Receivable, Net	\$ 1,354,842	\$ 141,591	\$ 1,496,433

Note 6 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2016, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	\$ -	\$ -	\$ 30,472
Loans	831,378	976,339	452,882
Total Receivables	831,378	976,339	483,354
Allowance for Uncollectibles	(3,216)	(3,304)	(11,809)
Receivables, Net	\$ 828,162	\$ 973,035	\$ 471,545

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 develop 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.

Note 8 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2016, 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	\$ 115,881	\$ 205,185	\$ -	\$ 13,219	\$ 334,285
Transportation	16,020	12,473	-	-	28,493
Restricted Accounts	215,025	11,605	-	-	226,630
Grants and Loans	5,463	93	-	2,900	8,456
Other Governmental	91,977	7,645	-	47	99,669
Internal Service	1,072	1,295	-	-	2,367
Reconciling amount from fund financial statements to government-wide financial statements	-	-	206,543	4,165	210,708
Total-Governmental Activities	\$ 445,438	\$ 238,296	\$ 206,543	\$ 20,331	\$ 910,608
Business-Type Activities:					
UConn/Health Center	\$ 154,301	\$ 82,363	\$ -	\$ 32,320	\$ 268,984
Board of Regents	18,628	78,447	2,193	13,822	113,090
Other Proprietary	7,533	-	12,529	1,623	21,685
Total-Business-Type Activities	\$ 180,462	\$ 160,810	\$ 14,722	\$ 47,765	\$ 403,759
Component Units:					
CHFA	\$ -	\$ -	\$ 14,280	\$ 6,629	\$ 20,909
Connecticut Lottery Corporation	8,499	-	1,641	-	10,140
Connecticut Airport Authority	4,162	4,593	1,210	4,230	14,195
Other Component Units	2,679	-	890	75,322	78,891
Total-Component Units	\$ 15,340	\$ 4,593	\$ 18,021	\$ 86,181	\$ 124,135

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 \$846.0 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 \$95.6 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2016, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash		Loans, Net		Total Restricted Assets
	Equivalents	Investments	of Allowances	Other	
Governmental Activities:					
Debt Service	\$ 738,240	\$ -	\$ -	\$ -	\$ 738,240
Total-Governmental Activities	\$ 738,240	\$ -	\$ -	\$ -	\$ 738,240
Business-Type Activities:					
UConn/Health Center	\$ 149,497	\$ -	\$ -	\$ -	\$ 149,497
Clean Water	55,619	143,486	-	-	199,105
Other Proprietary	53,132	10,621	-	-	63,753
Total-Business-Type Activities	\$ 258,248	\$ 154,107	\$ -	\$ -	\$ 412,355
Component Units:					
CHFA	\$ 466,127	\$ 891,549	\$ 3,520,597	\$ 100,435	\$ 4,978,708
CAA	117,380	-	-	2,307	119,687
Other Component Units	482,634	-	-	4,225	486,859
Total-Component Units	\$ 1,066,141	\$ 891,549	\$ 3,520,597	\$ 106,967	\$ 5,585,254

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	\$ 1,709,017	\$ 39,882	\$ 1,263	\$ 1,747,636
Construction in Progress	<u>3,664,840</u>	<u>1,554,823</u>	<u>675,348</u>	<u>4,544,315</u>
Total Capital Assets not being Depreciated	5,373,857	1,594,705	676,611	6,291,951
Capital Assets being Depreciated:				
Buildings	4,296,701	207,890	183,291	4,321,300
Improvements Other than Buildings	463,026	8,088	4,409	466,705
Equipment	2,736,204	162,607	280,620	2,618,191
Infrastructure	<u>14,307,362</u>	<u>365,966</u>	<u>-</u>	<u>14,673,328</u>
Total Other Capital Assets at Historical Cost	21,803,293	744,551	468,320	22,079,524
Less: Accumulated Depreciation For:				
Buildings	1,792,161	108,031	183,291	1,716,901
Improvements Other than Buildings	306,610	23,148	4,409	325,349
Equipment	2,674,470	169,502	280,620	2,563,352
Infrastructure	<u>9,372,668</u>	<u>687,304</u>	<u>-</u>	<u>10,059,972</u>
Total Accumulated Depreciation	14,145,909	987,985	468,320	14,665,574
Other Capital Assets, Net	<u>7,657,384</u>	<u>(243,434)</u>	<u>-</u>	<u>7,413,950</u>
Governmental Activities, Capital Assets, Net	<u>\$ 13,031,241</u>	<u>\$ 1,351,271</u>	<u>\$ 676,611</u>	<u>\$ 13,705,901</u>

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 5,082
General Government	34,580
Regulation and Protection	26,781
Conservation and Development	11,129
Health and Hospitals	10,101
Transportation	808,344
Human Services	1,093
Education, Libraries and Museums	30,755
Corrections	40,999
Judicial	15,518
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	<u>3,603</u>
Total Depreciation Expense	<u>\$ 987,985</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 68,072	\$ 559	\$ -	\$ 68,631
Construction in Progress	<u>717,171</u>	<u>490,730</u>	<u>521,831</u>	<u>686,070</u>
Total Capital Assets not being Depreciated	785,243	491,289	521,831	754,701
Capital Assets being Depreciated:				
Buildings	4,786,947	543,261	18,737	5,311,471
Improvements Other Than Buildings	373,287	32,322	2,358	403,251
Equipment	<u>995,211</u>	<u>90,682</u>	<u>43,502</u>	<u>1,042,391</u>
Total Other Capital Assets at Historical Cost	6,155,445	666,265	64,597	6,757,113
Less: Accumulated Depreciation For:				
Buildings	1,919,230	151,120	11,126	2,059,224
Improvements Other Than Buildings	207,087	14,116	2,246	218,957
Equipment	<u>662,926</u>	<u>70,578</u>	<u>38,568</u>	<u>694,936</u>
Total Accumulated Depreciation	2,789,243	235,814	51,940	2,973,117
Other Capital Assets, Net	<u>3,366,202</u>	<u>430,451</u>	<u>12,657</u>	<u>3,783,996</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 4,151,445</u>	<u>\$ 921,740</u>	<u>\$ 534,488</u>	<u>\$ 4,538,697</u>

Component Units

Capital assets of the component units consisted of the following as of June 30, 2016 (amounts in thousands):

Land	\$ 61,115
Buildings	697,352
Improvements other than Building	319,058
Machinery and Equipment	576,802
Construction in Progress	<u>7,450</u>
Total Capital Assets	1,661,777
Accumulated Depreciation	<u>868,683</u>
Capital Assets, Net	<u>\$ 793,094</u>

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. 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.

Plan Descriptions and Funding Policy

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

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
	<u>6/30/2014</u>	<u>6/30/2014</u>	<u>6/30/2014</u>
Inactive Members or their			
Beneficiaries receiving benefits	45,803	36,065	250
Inactive Members Entitled to but			
not yet Receiving Benefits	1,457	1,480	4
Active Members	49,976	50,877	212

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. 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.

Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist

<u>Asset Class</u>	<u>SERS</u>		<u>TRB</u>		<u>JRS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was .23, .17, and 1.11 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, 2015 were as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Total Pension Liability	\$ 27,192	\$ 27,092	\$ 365
Fiduciary Net Position	10,668	16,120	190
Net Pension Liability	\$ 16,524	\$ 10,972	\$ 175
Ratio of Fiduciary Net Position to Total Pension Liability	39.23%	59.50%	51.98%

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, 2016 the balance held for the DROP was not available from the Teachers' Retirement Board.

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, 2015.

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, 2016 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 8.0, 8.5, and 8.0 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 8.0, 8.5 and 8.0 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):

	<u>1% Decrease in Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Rate</u>
SERS Net Pension Liability	\$ 19,656	\$ 16,524	\$ 13,886
TRS Net Pension Liability	\$ 13,837	\$ 10,972	\$ 8,537
JRS Net Pension Liability	\$ 210	\$ 175	\$ 144

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The following table presents the primary governments and component units' contributions recognized by the pension plans at the measurement date June 30, 2015 (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>Total</u>
Primary Government	\$ 1,354,117	\$ 984,110	\$ 17,731	\$ 2,355,958
Component Units	<u>17,534</u>	<u>-</u>	<u>-</u>	<u>17,534</u>
Total Employer Contributions	\$ 1,371,651	\$ 984,110	\$ 17,731	\$ 2,373,492

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

As of the reporting date June 30, 2016, 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	\$ 16,312,856	\$ 211,231
Net Pension Liability		
Teachers' Retirement System	10,972,043	-
Judicial Retirement System	<u>175,073</u>	<u>-</u>
Total Net Pension Liability	<u>\$ 27,459,972</u>	<u>\$ 211,231</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, 2015 as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
State Employees' Retirement System		
Proportion-June 30, 2015	98.72%	1.28%

For the reporting year ended June 30, 2016, 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	\$ 1,290,123	\$ 16,705
Teachers' Retirement System	879,137	-
Judicial Retirement System	<u>18,747</u>	<u>-</u>
	<u>\$ 2,188,007</u>	<u>\$ 16,705</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	<u>Deferred Outflows of Resources</u>	<u>Component Units</u>	<u>Deferred Inflows of Resources</u>
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 2,571	\$ 32	\$ -	
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions Employer Contributions Subsequent to Measurement Date	<u>1,481,323</u>	<u>20,482</u>	<u>-</u>	<u>7,657</u>
Total	<u>\$ 1,483,894</u>	<u>\$ 28,484</u>	<u>\$ -</u>	<u>\$ 7,657</u>

Teachers' Retirement System

Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 78,887
Employer Contributions Subsequent to Measurement Date	<u>975,578</u>
Total	<u>\$ 1,054,465</u>

Judicial Retirement System

Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 2,193
Employer Contributions Subsequent to Measurement Date	<u>18,259</u>
Total	<u>\$ 20,452</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

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2016	\$ (34,712)	\$ (383)
2017	(34,712)	(383)
2018	(34,714)	(383)
2019	106,444	1,445
2020	<u>-</u>	<u>-</u>
	<u>\$ 2,306</u>	<u>\$ 296</u>

Teachers' Retirement System

<u>Year Ending June 30</u>	<u>Primary Government</u>
2016	\$ (33,821)
2017	(33,821)
2018	(33,819)
2019	180,348
2020	<u>-</u>
	<u>\$ 78,887</u>

Judges' Retirement System

<u>Year Ending June 30</u>	<u>Primary Government</u>
2016	\$ 57
2017	57
2018	55
2019	2,024
2020	<u>-</u>
	<u>\$ 2,193</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Valuation Date	6/30/2014	6/30/2014	6/30/2014
Inflation	2.75%	3.00%	2.75%
Salary Increases	4.00%-20.00%	3.75%-7.00%	4.75%
Investment Rate of Return	8.00%	8.5%	8.00%

The actuarial assumptions used in the June 30, 2016 SERS and JRS reported mortality rates based on the RP-2000 Mortality Table projected with the scale AA using 15 years for males and 25 years for females, set back 2 and 1 years respectively, for periods after service retirement and 55% (men) and 80% (women) for periods after disability retirement thus providing approximately a 13% margin in the assumed rates.

The actuarial assumptions used in the June 30, 2016 TRS actuarial report were based on RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, using a two year setback for males and females for the period after retirement and for dependent beneficiaries.

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, 2015 (amounts in thousands):

Total Pension Liability	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Service Cost	\$ 310,472	\$ 404,449	\$ 8,142
Interest	2,052,651	2,162,174	27,240
Benefit payments	(1,657,589)	(1,823,737)	(22,541)
Net change in total pension liability	705,534	742,886	12,841
Total pension liability - beginning (a)	26,486,933	26,349,209	351,773
Total pension liability - ending (c)	<u>\$ 27,192,467</u>	<u>\$ 27,092,095</u>	<u>\$ 364,614</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,371,651	\$ 984,110	\$ 17,731
Contributions - member	187,339	228,100	1,791
Net investment income	294,412	452,942	4,781
Benefit payments	(1,657,589)	(1,823,737)	(22,541)
Other	-	57,749	-
Net change in plan fiduciary net position	195,813	(100,836)	1,762
Plan net position - beginning (b)	10,472,567	16,220,889	187,780
Plan net position - ending (d)	<u>\$ 10,668,380</u>	<u>\$ 16,120,053</u>	<u>\$ 189,542</u>
Net pension liability - beginning (a)-(b)	<u>\$ 16,014,366</u>	<u>\$ 10,128,320</u>	<u>\$ 163,993</u>
Net pension liability - ending (c)-(d)	<u>\$ 16,524,087</u>	<u>\$ 10,972,042</u>	<u>\$ 175,072</u>

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 \$35.1 million and \$56.0 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.

Plan Descriptions and Funding Policy

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

	<u>MERS</u> <u>6/30/2014</u>	<u>CPJERS</u> <u>12/31/2015</u>
Retirees and beneficiaries receiving benefits	6,511	336
Terminated plan members entitled to but not receiving benefits	1,258	149
Active plan members	<u>8,477</u>	<u>371</u>
Total	<u>16,246</u>	<u>856</u>
Number of participating employers	187	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.

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	<u>MERS</u>	
	<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.

Net Pension Liability of Participating Employers

The components of the net pension liability for MERS at June 30, 2015 were as follows (amounts in millions):

<u>MERS</u>	
Employers' Total Pension Liability	\$ 2,648
Fiduciary Net Position	<u>2,455</u>
Employers' Net Pension Liability	\$ 193
Ratio of Fiduciary Net Position to Total Pension Liability	92.72%

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% Decrease in Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Rate</u>
Net Pension Liability	\$ 491	\$ 193	\$ (96)

Deferred outflows and deferred inflows of resources

As of the reporting date June 30, 2016, MERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Municipal Employees Retirement System		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 94,403	\$ 64,307
Total	<u>\$ 94,403</u>	<u>\$ 64,307</u>

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>Collective Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 30,096

Amounts recognized in subsequent fiscal years:

<u>Year Ending June 30</u>	<u>MERS</u>
2016	\$ 2,165
2017	2,165
2018	2,165
2019	23,601

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, 2015 is as follows (amounts in thousands):

Service Cost	\$ 64,545
Interest on the total pension liability	194,760
Member Contributions	(16,726)
Projected earnings on plan investments	(173,371)
Expensed portion of current period differences between projected and actual earnings on plan investments	23,601
Other	(6,508)
Recognition of beginning deferred inflows of resources as pension expense	<u>(21,436)</u>
Collective Pension Expense	<u>\$ 64,865</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, 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).

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 12 Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. As of June 30, 2016 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	\$ 607	\$ 5,306	\$ -	\$ 3,566	\$ -	\$ 332	\$ 9,811
Receivables:							
Accounts, Net of Allowances	15,990	11,360	73	12,804	4	-	40,231
From Other Governments	-	1,075	-	-	-	-	1,075
From Other Funds	42	(2)	-	1	-	-	41
Interest	487	956	7	84	3	-	1,537
Investments	10,636,703	15,584,564	189,678	2,212,023	87,268	1,546	28,711,782
Securities Lending Collateral	959,799	1,370,928	17,016	198,596	8,113	175	2,554,627
Noncurrent:							
Due From Employers	-	-	-	279,178	-	-	279,178
Total Assets	\$ 11,613,628	\$ 16,974,187	\$ 206,774	\$ 2,706,252	\$ 95,388	\$ 2,053	\$ 31,598,282
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 37	\$ 6,429	\$ -	\$ -	\$ 14	\$ -	\$ 6,480
Securities Lending Obligation	959,799	1,370,928	17,016	198,596	8,113	175	2,554,627
Due to Other Funds	-	1,958	-	-	12	-	1,970
Total Liabilities	959,836	1,379,315	17,016	198,596	8,139	175	2,563,077
Net Position							
Held in Trust For Employee							
Pension Benefits	10,653,792	15,594,872	189,758	2,507,656	87,249	1,878	29,035,205
Total Net Assets	\$ 10,653,792	\$ 15,594,872	\$ 189,758	\$ 2,507,656	\$ 87,249	\$ 1,878	\$ 29,035,205

Statement of Changes in Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	\$ 135,029	\$ 293,493	\$ 1,831	\$ 24,019	\$ 241	\$ 43	\$ 454,656
State	1,501,805	975,578	18,259	-	-	-	2,495,642
Municipalities	-	142	-	135,754	-	-	135,896
Total Contributions	1,636,834	1,269,213	20,090	159,773	241	43	3,086,194
Investment Income	(983)	(181,425)	14,148	174,331	7,023	(29)	13,065
Less: Investment Expenses	883	162,952	(12,708)	(156,581)	(6,308)	26	(11,736)
Net Investment Income	(100)	(18,473)	1,440	17,750	715	(3)	1,329
Other	10,058	-	66	505	1,444	1	12,074
Total Additions	1,646,792	1,250,740	21,596	178,028	2,400	41	3,099,597
Deductions							
Administrative Expense	651	-	-	-	-	-	651
Benefit Payments and Refunds	1,736,279	1,738,131	22,994	144,230	5,029	-	3,646,663
Other	-	153,763	-	-	-	-	153,763
Total Deductions	1,736,930	1,891,894	22,994	144,230	5,029	-	3,801,077
Changes in Net Assets	(90,138)	(641,154)	(1,398)	33,798	(2,629)	41	(701,480)
Net Position Held in Trust For							
Employee Pension Benefits:							
Beginning of Year (as restated)	10,743,930	16,236,026	191,156	2,473,858	89,878	1,837	29,736,685
End of Year	\$ 10,653,792	\$ 15,594,872	\$ 189,758	\$ 2,507,656	\$ 87,249	\$ 1,878	\$ 29,035,205

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). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 14.

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. As of June 30, 2015 (date of the latest actuarial valuation), the plan had 70,776 retirees and beneficiaries receiving benefits.

Plan Funding

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. As of June 30, 2016 (date of the latest actuarial valuation), the plan had 40,160 retirees and beneficiaries receiving benefits.

Plan Funding

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.

Annual OPEB Cost and Net OPEB Obligation

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	\$ 1,443,716	\$ 130,331
Interest on Net OPEB Obligation	456,117	44,139
Adjustment to Annual Required Contribution	<u>(464,237)</u>	<u>(36,487)</u>
Annual OPEB Cost	1,435,596	137,983
Contributions Made	<u>546,284</u>	<u>19,960</u>
Increase in net OPEB Obligation	889,312	118,023
Net OPEB Obligation - Beginning of Year	<u>8,002,059</u>	<u>980,868</u>
Net OPEB Obligation - End of Year	<u>\$ 8,891,371</u>	<u>\$ 1,098,891</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				
	2016	\$ 1,435,596	38.1%	\$ 8,891,371
	2015	\$ 1,541,667	35.4%	\$ 8,002,059
	2014	\$ 1,560,006	33.0%	\$ 7,006,676
RTHP				
	2016	\$ 137,983	14.5%	\$ 1,098,891
	2015	\$ 118,175	21.3%	\$ 980,868
	2014	\$ 192,851	13.5%	\$ 887,838

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2015 and 2016, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
	Value of	Accrued	AAL	Ratio	Payroll	Percentage of
	Assets	Liability (AAL)	(UAAL)	Ratio	Payroll	Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the State and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

	<u>SEOPEBP</u>	<u>RTHP</u>
Actuarial Valuation Date	6/30/2015	6/30/2016
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Pay, Closed, 30 Years	Level Percent of Pay, Open
Remaining Amortization Period	22 Years	30 Years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	5.70%	4.25% (includes inflation)
Projected Salary Increases	3.75%	3.25%-6.50% (includes inflation)
Healthcare Inflation Rate	10.00% graded to 5.00% over 5 years	2.75%

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, 2014 there were 9 municipalities participating in the plan with a total membership of 591 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.

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ 78,022	\$ 34	\$ 78,056
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	(35)	1,968	-	1,933
Interest	-	-	1	1
Investments	395,436	-	28,588	424,024
Securities Lending Collateral	30,672	-	2,450	33,122
Total Assets	426,073	79,990	31,073	537,136
Liabilities				
Accounts Payable and Accrued Liabilities	29,508	3,110	-	32,618
Securities Lending Obligation	30,672	-	2,450	33,122
Due To Other Funds	25,275	-	-	25,275
Total Liabilities	85,455	3,110	2,450	91,015
Net Position				
Held in Trust For Other				
Postemployment Benefits	340,618	76,880	28,623	446,121
Total Net Assets	\$ 340,618	\$ 76,880	\$ 28,623	\$ 446,121

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	\$ 125,192	\$ 92,437	\$ 568	\$ 218,197
State	608,593	19,960	-	628,553
Municipalities	-	-	676	676
Total Contributions	733,785	112,397	1,244	847,426
Investment Income	73,519	220	1,707	75,446
Less: Investment Expenses	(66,034)	-	(1,533)	(67,567)
Net Investment Income	7,485	220	174	7,879
Other	-	1,504	-	1,504
Total Additions	741,270	114,121	1,418	856,809
Deductions				
Administrative Expense	-	3,612	-	3,612
Benefit Payments and Refunds	632,498	125,415	1,199	759,112
Other	79	1,495	-	1,574
Total Deductions	632,577	130,522	1,199	764,298
Changes in Net Assets	108,693	(16,401)	219	92,511
Net Position Held in Trust For				
 Other Postemployment Benefits:				
Beginning of Year (as restated)	231,925	93,281	28,404	353,610
End of Year	\$ 340,618	\$ 76,880	\$ 28,623	\$ 446,121

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):

2017	\$ 40,742
2018	33,777
2019	33,083
2020	33,033
2021	20,789
Thereafter	84,448
Total	\$ 245,872

Contingent revenues for the year ended June 30, 2016, were \$444 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2016 were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2017	\$ 30,190	\$ 7,306
2018	21,627	6,911
2019	27,926	6,443
2020	15,315	5,469
2021	9,679	1,563
2022-2026	17,267	6,133
2027-2031	-	6,090
Total minimum lease payments	<u>\$ 122,004</u>	<u>39,915</u>
Less: Amount representing interest costs		<u>7,572</u>
Present value of minimum lease payments		<u>\$ 32,343</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, 2016, were \$30.2 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, 2016, (amounts in thousands):

Governmental Activities	Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	\$ 16,402,537	\$ 2,843,375	\$ 1,851,290	\$ 17,394,622	\$ 1,291,350
Transportation	4,089,540	839,770	409,620	4,519,690	270,550
	<u>20,492,077</u>	<u>3,683,145</u>	<u>2,260,910</u>	<u>21,914,312</u>	<u>1,561,900</u>
Plus/(Less) Premiums	1,417,172	442,335	187,303	1,672,204	175,465
Total Bonds	<u>21,909,249</u>	<u>4,125,480</u>	<u>2,448,213</u>	<u>23,586,516</u>	<u>1,737,365</u>
Long-Term Notes	<u>520,275</u>	<u>-</u>	<u>167,690</u>	<u>352,585</u>	<u>167,690</u>
Other L/T Liabilities: ¹					
Net Pension Liability (Note 10) ²	26,115,463	6,747,299	5,402,790	27,459,972	-
Net OPEB Obligation	8,982,926	1,573,578	628,553	9,927,951	-
Compensated Absences	499,004	47,822	35,435	511,391	42,095
Workers' Compensation	651,184	136,682	103,465	684,401	104,442
Capital Leases	35,368	3,034	6,060	32,342	5,815
Claims and Judgments	75,587	3,211	15,949	62,849	31,344
Landfill Post Closure Care	35,185	15,177	929	49,433	929
Liability on Interest Rate Swaps	3,361	-	1,504	1,857	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	<u>36,398,783</u>	<u>8,526,803</u>	<u>6,194,685</u>	<u>38,730,901</u>	<u>184,625</u>
Governmental Activities Long-Term Liabilities ²	<u>\$ 58,828,307</u>	<u>\$ 12,652,283</u>	<u>\$ 8,810,588</u>	<u>\$ 62,670,002</u>	<u>\$ 2,089,680</u>
¹ In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
² The beginning total is restated by the effect of CHFA's reporting the net pension liability on their financial statements as of the December, 2015					
Business-Type Activities					
Revenue Bonds	\$ 1,356,779	\$ -	\$ 110,097	\$ 1,246,682	\$ 95,757
Plus/(Less) Premiums and Discounts	110,737	-	8,693	102,044	1,486
Total Revenue Bonds	<u>1,467,516</u>	<u>-</u>	<u>118,790</u>	<u>1,348,726</u>	<u>97,243</u>
Compensated Absences	186,090	42,464	36,374	192,180	56,977
Federal Loans Payable	103,054	5,563	108,617	-	-
Other	350,631	15,130	26,573	339,188	11,377
Total Other Liabilities	<u>639,775</u>	<u>63,157</u>	<u>171,564</u>	<u>531,368</u>	<u>68,354</u>
Business-Type Long-Term Liabilities	<u>\$ 2,107,291</u>	<u>\$ 63,157</u>	<u>\$ 290,354</u>	<u>\$ 1,880,094</u>	<u>\$ 165,597</u>

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$31.9 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, 2016, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2016	Amounts due within year
Bonds Payable	\$ 4,491,234	\$ 315,643
Escrow Deposits	175,401	44,636
Annuities Payable	131,003	8,741
Rate Swap Liability	178,018	-
Net Pension Liability	211,230	-
Other	31,818	776
Total	<u>\$ 5,218,704</u>	<u>\$ 369,796</u>

Not all component units report net pension liabilities; therefore the net pension liability in the notes is \$4,584 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 \$928,683 in FY2016.

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, 2016 were \$352.6 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 3.2 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2016 were as follows (amounts in thousands):

Year Ending	June 30,	Principal	Interest	Total
2017	\$	175,465	\$ 9,360	\$ 184,825
2018		177,120	3,958	181,078
Total	\$	352,585	\$ 13,318	\$ 365,903

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, 2016, were as follows (amounts in thousands):

Purpose of Bonds	Final Final Dates	Original Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2016-2036	2.00-5.632%	\$ 3,454,977	\$ 850,880
School Construction	2016-2035	2.00-5.750%	4,528,256	203,000
Municipal & Other				
Grants & Loans	2016-2036	1.00-5.632%	2,033,367	1,021,736
Housing Assistance	2016-2035	0.65-5.460%	424,915	185,228
Elimination of Water				
Pollution	2016-2035	2.00-5.09%	261,509	406,208
General Obligation				
Refunding	2016-2038	1.75-5.50%	3,782,363	-
GAAP Conversion	2016-2027	1.00-5.00%	527,975	151,500
Pension Obligation	2016-2032	4.65-6.27%	2,217,693	-
Miscellaneous	2016-2034	3.50-5.100%	51,750	38,461
			17,282,805	\$ 2,857,013
Accretion-Various Capital Appreciation Bonds			111,817	
		Total	<u>\$ 17,394,622</u>	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2016, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,291,350	\$ 774,230	\$ 2,065,580
2018	1,276,865	729,943	2,006,808
2019	1,227,316	674,216	1,901,532
2020	1,171,271	623,055	1,794,326
2021	1,150,151	572,524	1,722,675
2022-2026	5,272,787	2,409,921	7,682,708
2027-2031	4,212,730	982,470	5,195,200
2032-2036	1,676,110	146,823	1,822,933
2037-2041	4,225	212	4,437
Total	\$ 17,282,805	\$ 6,913,394	\$ 24,196,199

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, 2016, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure				
Improvements	2016-2035	2.00-5.740%	\$ 4,519,690	\$ 3,225,919
			4,519,690	\$ 3,225,919
Accretion-Various Capital Appreciation Bonds			-	
		Total	\$ 4,519,690	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2016, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2017	\$ 270,550	\$ 217,138	\$ 487,688
2018	276,950	204,862	481,812
2019	269,800	192,108	461,908
2020	269,785	178,972	448,757
2021	277,285	166,159	443,444
2022-2026	1,318,490	633,678	1,952,168
2027-2031	1,212,015	306,156	1,518,171
2032-2036	624,815	62,100	686,915
	\$ 4,519,690	\$ 1,961,173	\$ 6,480,863

**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, 2016, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2016-2030	1.5-5.5%	\$ 112,685
State Universities	2016-2036	2.0-6.0%	302,381
Clean Water	2016-2035	2.0-5.0%	726,129
Drinking Water	2016-2035	2.0-5.0%	74,891
Bradley Parking Garage	2016-2024	6.5-6.6%	30,595
Total Revenue Bonds			1,246,681
Plus/(Less) premiums and discounts:			
UConn			19,340
Clean Water			73,928
Other			8,776
Revenue Bonds, net			\$ 1,348,725

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, 2016, \$30.6 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, 2016, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	\$ 97,442	\$ 56,680	\$ 154,122
2017	87,539	52,662	140,201
2018	87,325	48,908	136,233
2019	93,299	44,889	138,188
2020	82,220	40,586	122,806
2021-2025	383,175	146,330	529,505
2026-2030	301,595	63,347	364,942
2031-2035	133,270	11,395	144,665
2036-2040	1,065	21	1,086
Total	\$ 1,266,930	\$ 464,818	\$ 1,731,748

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2016, were as follows (amounts in thousands):

<u>Component Unit</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding (000's)</u>
CT Housing Finance Authority	2016-2055	0.15-6.625%	\$ 3,808,922
CT Student Loan Foundation	2034-2046	0.00-1.934%	274,800
CT Higher Education Supplemental Loan Authority	2017-2036	0.40-5.25%	152,785
CT Airport Authority	2017-2032	%/1 mth libor	122,980
CT Regional Development Authority	2016-2034	1.00-7.00%	85,920
UConn Foundation	2016-2029	1.90-5.00%	22,740
CT Innovations Inc.	2016-2020	2.37-5.25%	2,260
Total Revenue Bonds			4,470,407
Plus/(Less) premiums and discounts:			
CHFA			20,105
CSLF			(710)
CHESLA			2,195
Uconn Foundation			(441)
CRDA			(322)
Revenue Bonds, net			<u>\$ 4,491,234</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 \$2.3 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, 2015, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$3,401.4 million, \$58.6 million, and \$369.1 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 \$247.7 million per the resolution and \$4.6 million per the indenture at

12/31/15. As of December 31, 2015, the Authority has entered into interest rate swap agreements for \$830.1 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, 2016, were as follows (amounts in thousands):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 142,063	\$ 100,443	\$ 242,506
2018	146,533	101,173	247,706
2019	153,492	97,434	250,926
2020	157,850	94,096	251,946
2021	160,949	90,622	251,571
2022-2026	840,357	392,311	1,232,668
2027-2031	895,903	283,782	1,179,685
2032-2036	847,271	183,232	1,030,503
2037-2041	618,543	98,208	716,751
2042-2046	246,600	84,547	331,147
2047-2051	231,002	15,942	246,944
2052-2056	29,844	6,804	36,648
	<u>\$ 4,470,407</u>	<u>\$ 1,548,594</u>	<u>\$ 6,019,001</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, 2016 were \$441.4 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, 2016, were \$8,314.8 million, of which \$302.8 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, 2016 is \$30.0 million.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of \$721.6 million at an

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, 2016, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Type</u>	<u>Objective</u>	<u>Notional Amounts (000's)</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	\$ 20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	A3/A-
Pay-fixed interest rate	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%	A3/BBB+
	Total Notional Amount	\$ 40,000				

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.

average coupon interest rate of 4.86 percent to advance refund \$808.3 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.66 percent. Although the advance refunding resulted in a \$17.6 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by \$102.4 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 \$95.6 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.

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, 2016, the outstanding balance of bonds defeased in prior years was approximately \$980.7 million.

Note 18 - Derivative Financial Instruments

The fair value balances and notional amounts of the State’s derivative instruments outstanding at June 30, 2016, 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)):

	<u>Changes in Fair Value</u>		<u>Fair Value at Year End</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities					
Cash flow hedges:	Deferred		Non-current		
Pay-fixed interest rate swap	outflow of Resources	\$ (1,504)	portion of LT Obligation	\$ (1,857)	\$ 40,000

Credit Risk

As of June 30, 2016, 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, 2016 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, 2016, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	SWAP, Net		
Ending June 30, 2018	\$ 20,000	\$ 689	\$ 1,365	\$	22,054
2019	-	351	689		1,040
2020	-	351	689		1,040
2021	20,000	352	688		21,040
	<u>\$ 40,000</u>	<u>\$ 1,743</u>	<u>\$ 3,431</u>	<u>\$</u>	<u>45,174</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):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-14	\$ 619,578	\$ 21,875
Incurred claims	137,770	9,884
Paid claims	<u>(106,164)</u>	<u>(5,009)</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	<u>\$ 684,401</u>	<u>\$ 31,592</u>

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2016, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	\$ -	\$ -	\$ 115	\$ 10	\$ 339,215	\$ 44,961	\$ 37,492	\$ 974	\$ 5,182	\$ 4,165	\$ -	\$ 432,114
Debt Service	-	568	-	-	-	-	-	-	-	-	-	568
Restricted Grants & Accounts	3,144	-	-	-	-	-	-	-	-	-	5,202	8,346
Grant & Loan Programs	27	-	-	-	-	-	-	-	-	-	-	27
Other Governmental	2,268	-	-	-	16,400	130,476	170,280	-	-	-	-	319,424
UConn	18,158	-	-	-	-	-	-	-	-	-	-	18,158
Board of Regents	3,528	-	-	-	-	-	-	-	-	-	-	3,528
Employment Security	-	-	-	-	442	-	-	-	-	-	-	442
Internal Services	19,265	-	-	-	-	-	-	-	-	-	-	19,265
Fiduciary	-	-	-	-	25,634	-	-	-	-	1,958	-	27,592
Component Units	34,701	-	922	-	-	-	-	-	-	-	-	35,623
Total	<u>\$81,091</u>	<u>\$ 568</u>	<u>\$ 1,037</u>	<u>\$ 10</u>	<u>\$ 381,691</u>	<u>\$175,437</u>	<u>\$207,772</u>	<u>\$ 974</u>	<u>\$ 5,182</u>	<u>\$ 6,123</u>	<u>\$ 5,202</u>	<u>\$865,087</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, 2016, 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	\$ -	\$ -	\$ -	\$ 44,175	\$ 62,036	671,127	\$ 598,070	\$ -	\$ 1,375,408	
Debt Service	-	-	-	6,485	-	-	-	-	6,485	
Transportation	-	492,915	-	-	6,500	-	-	-	499,415	
Restricted Grants & Accounts	24,237	-	-	16,033	-	-	-	-	40,270	
Grants & Loan Programs	-	-	-	72,325	-	-	-	-	72,325	
Other Governmental	147,069	33,106	5,875	73,094	768	299,865	195,972	5,664	761,413	
Board of Regents	5,900	-	-	-	-	-	-	-	5,900	
Employment Security	-	-	-	-	18,503	-	-	-	18,503	
Total	<u>\$ 177,206</u>	<u>\$ 526,021</u>	<u>\$ 5,875</u>	<u>\$ 212,112</u>	<u>\$ 87,807</u>	<u>\$ 970,992</u>	<u>\$ 794,042</u>	<u>\$ 5,664</u>	<u>\$ 2,779,719</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 Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

During the fiscal year 2016, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 72, Fair Value Measurement and Application

GASB Statement 72 – This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

Beginning net position of governmental activities was increased by \$182 thousand on the Statement of Activities as a result of implementing this Statement. This increase is reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds as well.

Beginning net position of Fiduciary Funds was restated by \$214.8 million as a result of implementing GASB 72 as well. This reduction is reported on the Combining Statement of Changes in Fiduciary Net Position (and Other Employee Benefit) Trust Funds as well as on Statement of Changes in Fiduciary Net Position – Fiduciary Funds.

As of December 31, 2015, Connecticut Housing Finance Authority implemented GASB Statements 68 and 71. As a result of implementing these statements, the beginning net position for the Component Units was reduced \$54.6 million on the Statement of Activities resulting in a restated beginning net position. This reduction is reported on the Combining Statement of Activities – Component Units as well. As a result of this implementation the beginning net position of governmental activities was decreased by \$55.4 million in the Statement of Activities. This resulted because in Fiscal Year 2015 the State included CHFA as part of the primary government for the calculation of the Net Pension Liability.

During Fiscal Year 2016, Connecticut Airport Authority discovered that a certain capital asset was double counted in error. The Authority made a prior period adjustment to correct this error. The beginning net position for the Component Units was reduced \$10.9 million on the Statement of Activities resulting in a restated beginning net position. This reduction is also reported on the Combining Statement of Activities – Component Units.

Fund Balance – Restricted and Assigned

As of June 30, 2016 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	\$ 92,056	\$ -
Environmental Programs	39,008	-
Housing Programs	289,883	-
Employment Security Administration	15,816	-
Banking	9,010	-
Other	<u>60,276</u>	<u>13,770</u>
Total	<u>\$ 506,049</u>	<u>\$ 13,770</u>

Restricted Net Position

As of June 30, 2016, the government-wide statement of net position reported \$3,067 million of restricted net position, of which \$177.8 million was restricted by enabling legislation.

Note 23 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 24 New Accounting Pronouncements

In 2016, The State implemented the following statements issued by the Governmental Accounting Standards Board (“GASB”).

Fair Value Measurement and Application (Statement No. 72) - This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

See Note 22 for restatement information relating to the implementation of this statement.

Note 25 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, 2016, the Departments of Transportation and Construction Services had contractual commitments of approximately \$3,235 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program \$2,966 million.

Clean and drinking water loan programs \$272 million.
Various programs and services \$7,197 million.

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

Component Units

As of December 31, 2015, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$229.8 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 \$465.2 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 \$285.6 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. The aggregate remaining commitment under the subleases totaled approximately \$30 million at June 30, 2016.

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 26 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.

In August 2016, the State issued \$500 million of General Obligation bonds. The bonds were issued for Community Conservation Development as well as for other State purposes. The official offering includes \$250.0 million 2016 series D nontaxable bonds maturing 2036 bearing interest rates ranging from 3.0 to 5.0 percent and \$250.0 million series A taxable bonds maturing in 2026 bearing interest rates ranging from 1.0 to 2.6 percent.

In September 2016, the State issued \$868.3 million of Special Tax Obligation Transportation Infrastructure bonds. The offering includes \$800 million of series A which will mature in 2036 bearing interest rates ranging from 3.0 percent to 5.0 percent and \$68.3 million of series B refunding bonds maturing in 2028 bearing interest rates ranging from 2.0 percent to 5.0 percent that defeased \$75.6 million of other bonds issued at a higher cost.

In October 2016, the State issued \$650.0 million of general Obligation bonds. The offering includes \$585.0 million of series E, for school construction and other State purposes, which mature in 2036 bearing interest rates ranging from 2.0 percent to 5.0 percent, and \$65.0 million series F "Green Bonds", for water pollution control purposes, which mature in 2031 bearing interest rates ranging from 4.0 percent to 5.0 percent.

In December 2016, the State issued \$327.4 million of general obligation refunding bonds to defease \$348.7 million of other bond by their redemption dates. The bonds mature in 2023 bearing interest rates ranging from 2.0 to 5.0 percent.

In July 2016 and November 2016, the Connecticut Health and Educational Facilities Authority (CHEFA) issued revenue bonds consisting of \$35.0 million of series A, \$110.0 million of series F, \$5.8 million of series G and \$47.6 million of series K bonds respectively, to finance various Connecticut based facility improvements. Additionally, in September 2016, CHEFA issued \$40.7 million series L-1 tax-exempt and \$12.9 million of series L-2 federally taxable revenue bonds on behalf of Connecticut Community Colleges. In September CHEFA issued \$55.0 million of series P-1 revenue bonds on behalf of the State University System. Finally, in September 2016 CHEFA issued \$19.5 million series P-2 Revenue refunding bonds together with \$11.0 of other available funds, to refund \$30.7 million of bonds series G and F on the call date.

In the months of July, August, May, November and December of calendar 2016, the Connecticut Housing Finance authority (CHFA) issued Housing Mortgage Finance Program bonds consisting of \$86.0 million of series C; \$185.0 million of series E; \$149.0 million of series B; \$220.9 million of series F; and \$37.4 series 18, 19, 20 and 21; respectively to finance home mortgage loans. Additionally, in March of 2016, CHFA issued \$185.0 million of series A and A-3 demand bonds whereupon the authority entered into Stand-By Bond Purchase and Remarketing Agreements 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, 2015.

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***Required
Supplementary
Information***

Budgetary Comparison Schedule Required Supplemental Information General and Transportation Funds

For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive (negative)
	Budget		Actual	
	Original	Final		
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 15,711,600	\$ 15,078,800	\$ 15,155,166	\$ 76,366
Casino Gaming Payments	258,800	265,900	265,907	7
Licenses, Permits, and Fees	308,500	296,600	296,502	(98)
Other	337,800	364,400	365,926	1,526
Federal Grants	1,265,200	1,301,600	1,301,532	(68)
Refunds of Payments	(74,200)	(60,300)	(60,336)	(36)
Operating Transfers In	450,000	451,600	450,561	(1,039)
Operating Transfers Out	(61,800)	(61,800)	(61,688)	112
Transfer to/from the Resources of the General Fund	(33,500)	72,300	67,253	(5,047)
Total Revenues	<u>18,162,400</u>	<u>17,709,100</u>	<u>17,780,823</u>	<u>71,723</u>
Expenditures				
Budgeted:				
Legislative	84,830	82,830	74,089	8,741
General Government	680,152	680,008	627,035	52,973
Regulation and Protection	317,680	317,726	288,554	29,172
Conservation and Development	213,731	213,730	194,878	18,852
Health and Hospitals	1,817,935	1,801,386	1,765,944	35,442
Transportation	-	-	-	-
Human Services	3,200,663	3,200,663	3,102,021	98,642
Education, Libraries, and Museums	5,192,742	5,192,542	5,122,029	70,513
Corrections	1,517,199	1,517,264	1,463,065	54,199
Judicial	625,815	630,414	597,584	32,830
Non Functional	4,784,087	4,792,265	4,686,059	106,206
Total Expenditures	<u>18,434,834</u>	<u>18,428,828</u>	<u>17,921,258</u>	<u>507,570</u>
Appropriations Lapsed	<u>303,366</u>	<u>373,714</u>	<u>-</u>	<u>(373,714)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>30,932</u>	<u>(346,014)</u>	<u>(140,435)</u>	<u>205,579</u>
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	64,964	64,964	64,964	-
Appropriations Continued to Fiscal Year 2017	-	-	(96,559)	(96,559)
Miscellaneous Adjustments	-	1,573	1,612	39
Total Other Financing Sources (Uses)	<u>64,964</u>	<u>66,537</u>	<u>(29,983)</u>	<u>(96,520)</u>
Net Change in Fund Balance	<u>\$ 95,896</u>	<u>\$ (279,477)</u>	<u>(170,418)</u>	<u>\$ 109,059</u>
Budgetary Fund Balances - July 1			37,245	
Changes in Reserves			179,632	
Budgetary Fund Balances - June 30			<u>\$ 46,459</u>	

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

Transportation Fund

<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget positive (negative)</u>
<u>Original</u>	<u>Final</u>		
\$ 1,073,400	\$ 955,800	\$ 946,984	\$ (8,816)
-	-	-	-
385,100	391,700	395,373	3,673
7,700	7,800	8,159	359
12,100	12,200	12,180	(20)
(3,700)	(3,400)	(3,384)	16
-	-	-	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
<u>1,468,100</u>	<u>1,357,600</u>	<u>1,352,812</u>	<u>(4,788)</u>
-	-	-	-
8,728	8,728	6,390	2,338
77,884	77,884	65,400	12,484
2,743	2,743	2,550	193
-	-	-	-
660,533	660,533	630,227	30,306
2,244	2,244	2,177	67
-	-	-	-
-	-	-	-
-	-	-	-
<u>709,252</u>	<u>709,252</u>	<u>693,975</u>	<u>15,277</u>
1,461,384	1,461,384	1,400,719	60,665
<u>12,000</u>	<u>44,557</u>	<u>-</u>	<u>(44,557)</u>
-	-	-	-
<u>18,716</u>	<u>(59,227)</u>	<u>(47,907)</u>	<u>11,320</u>
33,311	33,311	33,311	-
-	-	(22,610)	(22,610)
-	-	-	-
<u>33,311</u>	<u>33,311</u>	<u>10,701</u>	<u>(22,610)</u>
<u>\$ 52,027</u>	<u>\$ (25,916)</u>	<u>(37,206)</u>	<u>\$ (11,290)</u>
		213,357	
		(10,700)	
		<u>\$ 165,451</u>	

Budgetary vs. GAAP Basis of Accounting Required Supplemental Information

For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation Fund</u>
Net change in fund balances (budgetary basis)	\$ (170,418)	\$ (37,206)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	8,413	7,089
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(310,394)	(3,054)
Salaries and Fringe Benefits Payable	16,637	1,353
Increase (Decrease) in Continuing Appropriations	31,595	(10,701)
Fund Reclassification-Bus Operations	-	(3,178)
Net change in fund balances (GAAP basis)	<u>\$ (424,167)</u>	<u>\$ (45,697)</u>

The major differences between the statutory and the GAAP (generally accepted accounting principles) financial basis of accounting as reconciled above are as follows:

1. 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).
2. 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).
3. For budgetary 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 information about budgetary reporting is an integral part of this schedule.

Pension Plans
Required Supplementary Information
Schedule of Changes in the Net Pension Liability
and Plan Net Position

(Expressed in Thousands)

	2015	2015	2015	2014	2014	2014
	SERS	TRS	JRS	SERS	TRS	JRS
Total Pension Liability						
Service Cost	\$ 310,472	\$ 404,449	\$ 8,142	\$ 287,473	\$ 347,198	\$ 7,539
Interest	2,052,651	2,162,174	27,240	1,998,736	2,090,483	26,301
Benefit payments	(1,650,465)	(1,773,408)	(22,541)	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(7,124)	(50,329)	-	(3,935)	-	-
Net change in total pension liability	705,534	742,886	12,841	719,245	700,537	12,172
Total pension liability - beginning	26,486,933	26,349,209	351,773	25,767,688	25,648,672	339,601
Total pension liability - ending (a)	\$ 27,192,467	\$ 27,092,095	\$ 364,614	\$ 26,486,933	\$ 26,349,209	\$ 351,773
Plan net position						
Contributions - employer	\$ 1,371,651	\$ 984,110	\$ 17,731	\$ 1,268,890	\$ 948,540	\$ 16,298
Contributions - member	187,339	228,100	1,791	144,807	261,213	1,641
Net investment income	294,412	452,942	4,781	1,443,391	2,277,550	23,156
Benefit payments	(1,650,465)	(1,773,408)	(22,541)	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(7,124)	(50,329)	-	(3,935)	-	-
Other Changes	-	57,749	-	-	(5,307)	-
Net change in plan net position	195,813	(100,836)	1,762	1,290,124	1,744,852	19,427
Plan net position - beginning	10,472,567	16,220,889	187,780	9,182,443	14,462,903	168,353
Plan net position - ending (b)	\$ 10,668,380	\$ 16,120,053	\$ 189,542	\$ 10,472,567	\$ 16,207,755	\$ 187,780
Ratio of plan net position to total pension liability	39.23%	59.50%	51.98%	39.54%	61.51%	53.38%
Net pension liability - ending (a) -(b)	\$ 16,524,087	\$ 10,972,042	\$ 175,072	\$ 16,014,366	\$ 10,141,454	\$ 163,993
Covered-employee payroll	\$ 3,618,361	\$ 4,078,367	\$ 34,972	\$ 3,487,577	\$ 3,831,624	\$ 33,386
Net pension liability as a percentage of covered-employee payroll	456.67%	269.03%	500.61%	459.18%	264.68%	491.20%

Pension Plans
Required Supplementary Information
Schedule of Employer Contributions
(Expressed in Thousands)

<u>SERS</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined employer contribution	\$ 1,379,189	\$ 1,268,935	\$ 1,059,652	\$ 926,372	\$ 944,077
Actual employer contributions	<u>1,371,651</u>	<u>1,268,890</u>	<u>1,058,113</u>	<u>926,343</u>	<u>825,801</u>
Annual contributions deficiency excess	<u>\$ 7,538</u>	<u>\$ 45</u>	<u>\$ 1,539</u>	<u>\$ 29</u>	<u>\$ 118,276</u>
Covered Payroll	\$ 3,618,361	\$ 3,355,077	\$ 3,304,538	\$ 3,209,782	\$ 3,308,498
Actual contributions as a percentage of covered-employee payroll	37.91%	37.82%	32.02%	28.86%	24.96%
<u>TRS</u>					
Actuarially determined employer contribution	\$ 984,110	\$ 948,540	\$ 787,536	\$ 757,246	\$ 581,593
Actual employer contributions	<u>984,110</u>	<u>948,540</u>	<u>787,536</u>	<u>757,246</u>	<u>581,593</u>
Annual contributions deficiency excess	<u>\$ -</u>				
Covered Payroll	\$ 4,078,367	\$ 3,930,957	\$ 4,101,750	\$ 3,943,990	\$ 3,823,754
Actual contributions as a percentage of covered-employee payroll	24.13%	24.13%	19.20%	19.20%	15.21%
<u>JRS</u>					
Actuarially determined employer contribution	\$ 17,731	\$ 16,298	\$ 16,006	\$ 15,095	\$ 16,208
Actual employer contributions	<u>17,731</u>	<u>16,298</u>	<u>16,006</u>	<u>15,095</u>	<u>-</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,208</u>
Covered Payroll	\$ 34,972	\$ 33,386	\$ 31,748	\$ 30,308	\$ 33,102
Actual contributions as a percentage of covered-employee payroll	50.70%	48.82%	50.42%	49.81%	0.00%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 897,428	\$ 753,698	\$ 716,944	\$ 663,926	\$ 623,063
<u>720,527</u>	<u>699,770</u>	<u>711,555</u>	<u>663,931</u>	<u>623,063</u>
<u>\$ 176,901</u>	<u>\$ 53,928</u>	<u>\$ 5,389</u>	<u>\$ (5)</u>	<u>\$ -</u>
\$ 2,920,661	\$ 3,497,400	\$ 3,497,400	\$ 3,310,400	\$ 3,107,900
24.67%	20.01%	20.35%	20.06%	20.05%
\$ 559,224	\$ 539,303	\$ 518,560	\$ 412,099	\$ 396,249
<u>559,224</u>	<u>539,303</u>	<u>518,560</u>	<u>412,099</u>	<u>396,249</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,676,686	\$ 3,529,470	\$ 3,393,717	\$ 3,296,792	\$ 3,169,992
15.21%	15.28%	15.28%	12.50%	12.50%
\$ 15,399	\$ 14,172	\$ 13,434	\$ 12,375	\$ 11,730
<u>-</u>	<u>14,173</u>	<u>13,434</u>	<u>12,375</u>	<u>11,730</u>
<u>\$ 15,399</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 31,602	\$ 34,000	\$ 33,982	\$ 33,757	\$ 31,803
0.00%	41.69%	39.53%	36.66%	36.88%

Pension Plans
Required Supplementary Information
Schedule of Investment Returns
Annual Money-Weighted Rates of Return Net of Investment Expenses

	6/30/2016	6/30/2015	6/30/2014
State Employees' Retirement Fund	0.23%	2.83%	15.62%
Teachers' Retirement Fund	0.17%	2.82%	15.67%
State Judges Retirement Fund	1.11%	2.57%	13.66%
OPEB Fund	2.44%	3.44%	11.80%

Note: This schedule is to be built prospectively until it contains ten years of data

**Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Funding Progress**

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
<u>RTHP</u>						
6/30/2008	\$-	\$2,318.8	\$2,318.8	0.0%	\$3,399.3	68.2%
6/30/2009 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2010	\$-	\$2,997.8	\$2,997.8	0.0%	\$3,646.0	82.2%
6/30/2011 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2012	\$-	\$3,048.3	\$3,048.3	0.0%	\$3,652.5	83.5%
6/30/2013 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2014	\$-	\$2,433.0	\$2,433.0	0.0%	\$3,831.6	63.5%
6/30/2015 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2016	\$-	\$2,997.5	\$2,997.5	0.0%	\$3,949.9	75.9%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.

SEOEBP

6/30/2011	\$49.6	\$17,954.3	\$17,904.7	0.3%	\$3,902.2	458.8%
6/30/2012 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2013	\$143.8	\$19,676.3	\$19,532.5	0.7%	\$3,539.7	551.8%
6/30/2014 *	\$-	\$-	\$-	0.0%	\$-	0.0%
6/30/2015	\$229.6	\$19,119.6	\$18,889.9	1.2%	\$3,895.1	485.0%
6/30/2016 *	\$-	\$-	\$-	0.0%	\$-	0.0%

*No actuarial valuation was performed.

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

**Other Postemployment Benefit Plans
Required Supplementary Information
Schedule of Employer Contributions**

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>RTHP</u>		<u>SEOPEBP</u>	
	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2008	\$116.1	21.5%	\$0.0	0%
2009	\$116.7	25.3%	\$0.0	0%
2010	\$121.3	10.0%	\$0.0	0%
2011	\$177.1	3.0%	\$0.0	0%
2012	\$184.1	26.9%	\$1,354.7	40.0%
2013	\$180.4	15.0%	\$1,271.3	42.7%
2014	\$187.2	13.9%	\$1,525.4	33.7%
2015	\$125.6	20.0%	\$1,513.0	36.1%
2016	\$130.3	15.3%	\$1,443.7	42.2%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008. June 30, 2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

***Combining
Funds Statements
and Schedules
Nonmajor Funds***

Balance Sheet**Nonmajor Governmental Funds-By Fund Type**

June 30, 2016

(Expressed in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Assets				
Cash and Cash Equivalents	\$ 210,616	\$ 111,476	\$ 5,832	\$ 327,924
Investments	2,095	-	109,454	111,549
Securities Lending Collateral	-	-	8,808	8,808
Receivables:				
Accounts, Net of Allowances	26,805	9	-	26,814
Loans, Net of Allowances	222,741	-	-	222,741
From Other Governments	8,455	-	-	8,455
From Other Funds	8,471	373,215	5	381,691
Other Receivables	-	-	4	4
Total Assets	<u>\$ 479,183</u>	<u>\$ 484,700</u>	<u>\$ 124,103</u>	<u>\$ 1,087,986</u>
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 8,297	\$ 91,372	\$ -	\$ 99,669
Due to Other Funds	9,434	301,990	8,000	319,424
Unearned Revenue	14,919	-	-	14,919
Securities Lending Obligation	-	-	8,808	8,808
Total Liabilities	<u>32,650</u>	<u>393,362</u>	<u>16,808</u>	<u>442,820</u>
Deferred Inflows of Resources				
Receivables to be Collected in Future Periods	24,418	-	-	24,418
Fund Balances				
Nonspendable:				
Permanent Fund Principal	-	-	109,606	109,606
Restricted	408,345	92,056	5,648	506,049
Assigned	13,770	-	-	13,770
Unassigned	-	(718)	(7,959)	(8,677)
Total Fund Balances	<u>422,115</u>	<u>91,338</u>	<u>107,295</u>	<u>620,748</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 479,183</u>	<u>\$ 484,700</u>	<u>\$ 124,103</u>	<u>\$ 1,087,986</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds - By Fund Type

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues				
Licenses, Permits, and Fees	\$ 87,499	\$ -	\$ -	\$ 87,499
Tobacco Settlement	120,448	-	-	120,448
Federal Grants and Aid	71,654	-	-	71,654
Charges for Services	938	-	-	938
Fines, Forfeits, and Rents	847	-	-	847
Investment Earnings	850	-	1,803	2,653
Interest on Loans	35	-	-	35
Miscellaneous	137,282	707	310	138,299
Total Revenues	<u>419,553</u>	<u>707</u>	<u>2,113</u>	<u>422,373</u>
Expenditures				
Current:				
Legislative	304	-	-	304
General Government	106,610	-	2,000	108,610
Regulation and Protection	181,370	-	-	181,370
Conservation and Development	144,968	-	385	145,353
Health and Hospitals	44,283	-	1	44,284
Human Services	8,170	-	-	8,170
Education, Libraries, and Museums	3,637	-	4	3,641
Corrections	3,530	-	-	3,530
Judicial	51,536	-	-	51,536
Capital Projects	-	1,202,184	-	1,202,184
Debt Service:				
Interest and Fiscal Charges	880	6,909	-	7,789
Total Expenditures	<u>545,288</u>	<u>1,209,093</u>	<u>2,390</u>	<u>1,756,771</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(125,735)</u>	<u>(1,208,386)</u>	<u>(277)</u>	<u>(1,334,398)</u>
Other Financing Sources (Uses)				
Bonds Issued	228,538	1,619,261	-	1,847,799
Premium on Bonds Issued	17,191	227,887	-	245,078
Transfers In	87,784	-	23	87,807
Transfers Out	(158,039)	(603,045)	(329)	(761,413)
Total Other Financing Sources (Uses)	<u>175,474</u>	<u>1,244,103</u>	<u>(306)</u>	<u>1,419,271</u>
Net Change in Fund Balances	49,739	35,717	(583)	84,873
Fund Balances - Beginning (as restated)	372,376	55,621	107,878	535,875
Fund Balances - Ending	<u>\$ 422,115</u>	<u>\$ 91,338</u>	<u>\$ 107,295</u>	<u>\$ 620,748</u>

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Special Revenue Funds

Workers' Compensation Administration:

This fund is used to account for assessments collected for the purpose of covering the administrative costs of the Workers' Compensation Commission.

Banking:

This fund is used to account for monies collected from various banking institutions throughout the state.

Consumer Counsel and Public Utility Control:

This fund is used to account for monies collected from various public utility companies.

Insurance:

This fund is used to account for monies collected from authorized insurers within the state.

Criminal Injuries Compensation:

This fund is used to account for monies collected from the criminal injuries board.

Regional Market Fund:

This fund is used to account for rents and other monies collected for the purpose of providing for the payment of expenses relating to the operation and maintenance of the regional market.

Mashantucket Pequot and Mohegan Fund:

This fund is used to account for casino gambling monies collected from the Mashantucket Pequot Tribe and the Mohegan Tribe to be used for the purpose of distribution to towns.

Soldiers, Sailors, and Marines Fund:

This fund is used to account for interest earned for the purpose of furnishing, food, wearing apparel, medical or surgical care, or funeral expenses of soldiers, sailors, and marines who served in any branch of military service.

Employment Security Administration:

This fund is used to account for monies collected from various sources for the purpose of defraying the cost of the administration of unemployment compensation.

Environmental Programs:

This fund is used to account for monies collected for the purpose of providing funds for various environmental programs throughout the state.

Housing Programs:

This fund is used to account for monies collected for the purpose of providing funds for various housing programs throughout the state.

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2016

(Expressed in Thousands)

	<u>Workers'</u>		<u>Consumer</u>		<u>Criminal</u>
	<u>Compensation</u>	<u>Banking</u>	<u>Counsel and</u>	<u>Public Utility</u>	<u>Injuries</u>
			<u>Control</u>	<u>Insurance</u>	
Assets					
Cash and Cash Equivalents	\$ 16,230	\$ 9,983	\$ 6,674	\$ 13,336	\$ 3,463
Investments	-	-	-	-	-
Receivables:					
Accounts, Net of Allowances	-	-	162	-	-
Loans, Net of Allowances	-	-	-	-	-
From Other Governments	-	-	-	-	-
From Other Funds	30	-	-	80	3
Total Assets	<u>\$ 16,260</u>	<u>\$ 9,983</u>	<u>\$ 6,836</u>	<u>\$ 13,416</u>	<u>\$ 3,466</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 577	\$ 771	\$ 766	\$ 1,004	\$ 253
Unearned Revenue	-	-	5,378	9,541	-
Due to Other Funds	128	202	184	267	-
Total Liabilities	<u>705</u>	<u>973</u>	<u>6,328</u>	<u>10,812</u>	<u>253</u>
Deferred Inflows of Resources					
Receivables to be Collected in Future Periods	-	-	157	-	-
Fund Balances					
Restricted	15,555	9,010	351	2,604	3,213
Assigned	-	-	-	-	-
Total Fund Balances	<u>15,555</u>	<u>9,010</u>	<u>351</u>	<u>2,604</u>	<u>3,213</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 16,260</u>	<u>\$ 9,983</u>	<u>\$ 6,836</u>	<u>\$ 13,416</u>	<u>\$ 3,466</u>

<u>Regional Market</u>	<u>Soldiers', Sailors', & Marines'</u>	<u>Employment Security Administration</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ 170	\$ -	\$ 10,309	\$ 35,030	\$ 69,475	\$ 45,946	\$ 210,616
-	-	-	2,095	-	-	2,095
-	-	-	-	7,123	19,520	26,805
-	-	-	2,272	220,439	30	222,741
-	-	8,455	-	-	-	8,455
-	7,841	447	-	-	70	8,471
<u>\$ 170</u>	<u>\$ 7,841</u>	<u>\$ 19,211</u>	<u>\$ 39,397</u>	<u>\$ 297,037</u>	<u>\$ 65,566</u>	<u>\$ 479,183</u>
\$ 29	\$ -	\$ 2,733	\$ 350	\$ 31	\$ 1,783	\$ 8,297
-	-	-	-	-	-	14,919
7	7,841	662	39	-	104	9,434
<u>36</u>	<u>7,841</u>	<u>3,395</u>	<u>389</u>	<u>31</u>	<u>1,887</u>	<u>32,650</u>
-	-	-	-	7,123	17,138	24,418
134	-	15,816	39,008	289,883	32,771	408,345
-	-	-	-	-	13,770	13,770
<u>134</u>	<u>-</u>	<u>15,816</u>	<u>39,008</u>	<u>289,883</u>	<u>46,541</u>	<u>422,115</u>
<u>\$ 170</u>	<u>\$ 7,841</u>	<u>\$ 19,211</u>	<u>\$ 39,397</u>	<u>\$ 297,037</u>	<u>\$ 65,566</u>	<u>\$ 479,183</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>Workers' Compensation</u>	<u>Banking</u>	<u>Consumer Counsel Public Utility Control</u>	<u>Insurance</u>	<u>Criminal Injuries</u>	<u>Mashantucket Pequot and Mohegan Fund</u>
Revenues						
Licenses, Permits, and Fees	\$ -	\$ 30,011	\$ 19	\$ 41,498	\$ 1,052	\$ -
Tobacco Settlement	-	-	-	-	-	-
Federal Grants and Aid	-	-	-	-	-	-
Charges for Services	16	-	-	-	-	-
Fines, Forfeits, and Rents	-	-	-	-	1	-
Investment Earnings	96	-	-	179	9	-
Interest on Loans	-	-	-	-	-	-
Miscellaneous	<u>25,057</u>	<u>73</u>	<u>24,686</u>	<u>33,237</u>	<u>2,854</u>	<u>-</u>
Total Revenues	<u>25,169</u>	<u>30,084</u>	<u>24,705</u>	<u>74,914</u>	<u>3,916</u>	<u>-</u>
Expenditures						
Current:						
Legislative	-	-	-	-	-	-
General Government	554	-	-	481	-	61,688
Regulation and Protection	20,643	22,163	2,806	32,865	-	-
Conservation and Development	-	670	23,207	-	-	-
Health and Hospitals	-	-	-	41,516	-	-
Human Services	1,987	-	-	479	-	-
Education, Libraries, and Museums	-	-	-	-	-	-
Corrections	-	-	-	-	-	-
Judicial	-	5,952	-	-	2,828	-
Debt Service:						
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>23,184</u>	<u>28,785</u>	<u>26,013</u>	<u>75,341</u>	<u>2,828</u>	<u>61,688</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,985</u>	<u>1,299</u>	<u>(1,308)</u>	<u>(427)</u>	<u>1,088</u>	<u>(61,688)</u>
Other Financing Sources (Uses)						
Bonds Issued	-	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-	-
Transfers In	-	-	-	38	-	61,688
Transfers Out	-	(7,000)	(2,000)	-	(750)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(7,000)</u>	<u>(2,000)</u>	<u>38</u>	<u>(750)</u>	<u>61,688</u>
Net Change in Fund Balances	1,985	(5,701)	(3,308)	(389)	338	-
Fund Balances - Beginning	13,570	14,711	3,659	2,993	2,875	-
Fund Balances-Ending	<u>\$ 15,555</u>	<u>\$ 9,010</u>	<u>\$ 351</u>	<u>\$ 2,604</u>	<u>\$ 3,213</u>	<u>\$ -</u>

<u>Regional Market</u>	<u>Soldiers', Sailors', & Marines'</u>	<u>Employment Security Administration</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ 36	\$ -	\$ 4,480	\$ 3,808	\$ -	\$ 6,595	\$ 87,499
-	-	-	-	-	120,448	120,448
-	-	71,654	-	-	-	71,654
-	-	-	-	-	922	938
827	-	-	-	-	19	847
1	-	31	84	82	368	850
-	-	-	35	-	-	35
-	-	200	183	8,025	42,967	137,282
<u>864</u>	<u>-</u>	<u>76,365</u>	<u>4,110</u>	<u>8,107</u>	<u>171,319</u>	<u>419,553</u>
-	-	-	-	-	304	304
-	-	-	3,927	33,680	6,280	106,610
-	-	92,773	-	-	10,120	181,370
1,048	-	-	70,657	48,075	1,311	144,968
-	-	-	-	-	2,767	44,283
-	202	-	-	-	5,502	8,170
-	-	-	-	-	3,637	3,637
-	-	-	-	-	3,530	3,530
-	-	-	-	-	42,756	51,536
-	-	-	261	619	-	880
<u>1,048</u>	<u>202</u>	<u>92,773</u>	<u>74,845</u>	<u>82,374</u>	<u>76,207</u>	<u>545,288</u>
<u>(184)</u>	<u>(202)</u>	<u>(16,408)</u>	<u>(70,735)</u>	<u>(74,267)</u>	<u>95,112</u>	<u>(125,735)</u>
-	-	-	65,000	163,538	-	228,538
-	-	-	7,417	9,774	-	17,191
-	-	18,503	-	325	7,230	87,784
-	-	-	(12,820)	(9,155)	(126,314)	(158,039)
-	-	18,503	59,597	164,482	(119,084)	175,474
<u>(184)</u>	<u>(202)</u>	<u>2,095</u>	<u>(11,138)</u>	<u>90,215</u>	<u>(23,972)</u>	<u>49,739</u>
<u>318</u>	<u>202</u>	<u>13,721</u>	<u>50,146</u>	<u>199,668</u>	<u>70,513</u>	<u>372,376</u>
<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 15,816</u>	<u>\$ 39,008</u>	<u>\$ 289,883</u>	<u>\$ 46,541</u>	<u>\$ 422,115</u>

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Capital Projects Funds

State Facilities:

This fund is used to account for proceeds of bond issues and other sources and the subsequent expenditures for the construction of various state buildings and structures.

Infrastructure:

This fund is used to account for the proceeds of bond issues and related capital project grants to finance the State's transportation infrastructure program over a ten-year period. This program encompasses the planning, acquisition, removal, construction, equipping, reconstruction, repair, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate substitution program (the "interstate trade-in program"), waterway facilities, aeronautic facilities (excluding Bradley International Airport), the highway safety program, maintenance garages, and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program and payment of State contributions to the local bridge revolving fund.

Other Transportation:

This fund is used to account for the proceeds of bond issues and related grants to be used for other transportation related capital projects.

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2016

(Expressed in Thousands)

	State			
	Facilities	Infrastructure	Transportation	Total
Assets				
Cash and Cash Equivalents	\$ -	111,476	\$ -	\$ 111,476
Receivables:				
Accounts, Net of Allowances	9	-	-	9
Due From Other Funds	355,885	17,330	-	373,215
Total Assets	<u>\$ 355,894</u>	<u>\$ 128,806</u>	<u>\$ -</u>	<u>\$ 484,700</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 42,950	\$ 48,422	\$ -	\$ 91,372
Due To Other Funds	300,809	463	718	301,990
Total Liabilities	<u>343,759</u>	<u>48,885</u>	<u>718</u>	<u>393,362</u>
Fund Balances				
Restricted	12,135	79,921	-	92,056
Unassigned	-	-	(718)	(718)
Total Fund Balances (Deficit)	<u>12,135</u>	<u>79,921</u>	<u>(718)</u>	<u>91,338</u>
Total Liabilities and Fund Balances	<u>\$ 355,894</u>	<u>\$ 128,806</u>	<u>\$ -</u>	<u>\$ 484,700</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Revenues				
Miscellaneous	\$ 707	\$ -	\$ -	\$ 707
Total Revenues	<u>707</u>	<u>-</u>	<u>-</u>	<u>707</u>
Expenditures				
Capital Projects	346,682	855,502	-	1,202,184
Debt Service:				
Interest and Fiscal Charges	3,726	3,183	-	6,909
Total Expenditures	<u>350,408</u>	<u>858,685</u>	<u>-</u>	<u>1,209,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(349,701)</u>	<u>(858,685)</u>	<u>-</u>	<u>(1,208,386)</u>
Other Financing Sources (Uses)				
Bonds Issued	919,261	700,000	-	1,619,261
Premium on Bonds Issued	113,316	114,571	-	227,887
Transfer Out	<u>(567,323)</u>	<u>(35,722)</u>	<u>-</u>	<u>(603,045)</u>
Total Other Financing Sources	<u>465,254</u>	<u>778,849</u>	<u>-</u>	<u>1,244,103</u>
Net Change in Fund Balances	115,553	(79,836)	-	35,717
Fund Balances (Deficit) - Beginning	<u>(103,418)</u>	<u>159,757</u>	<u>(718)</u>	<u>55,621</u>
Fund Balances (Deficit) - Ending	<u>\$ 12,135</u>	<u>\$ 79,921</u>	<u>\$ (718)</u>	<u>\$ 91,338</u>

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Permanent Funds

Soldiers', Sailors', and Marines':

This fund is used to account for the principal and interest earned on investments of this fund. Interest earned has been earmarked by the General Assembly for the benefit of resident veterans to provide such things as food, wearing apparel, medical or surgical aid, care and relief, or funeral benefits.

Connecticut Arts Endowment:

A fund established to support arts organizations throughout Connecticut. The fund administered by the Connecticut Commission on the Arts, finances grants to eligible arts organizations throughout the state.

Combining Balance Sheet Nonmajor Permanent Funds

June 30, 2016

(Expressed in Thousands)

	<u>Soldiers', Sailors', & Marines'</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,832	\$ 5,832
Investments	72,323	18,959	18,172	109,454
Securities Lending Collateral	5,833	1,519	1,456	8,808
Other Receivables	2	1	1	4
Due From Other Funds	-	-	5	5
Total Assets	<u>\$ 78,158</u>	<u>\$ 20,479</u>	<u>\$ 25,466</u>	<u>\$ 124,103</u>
Liabilities and Fund Balance				
Liabilities				
Due To Other Funds	\$ 7,841	\$ -	\$ 159	\$ 8,000
Securities Lending Obligation	5,833	1,519	1,456	8,808
Total Liabilities	<u>13,674</u>	<u>1,519</u>	<u>1,615</u>	<u>16,808</u>
Fund Balances				
Nonspendable:				
Permanent Fund Principal	72,443	18,991	18,172	109,606
Restricted	-	(31)	5,679	5,648
Unassigned	(7,959)	-	-	(7,959)
Total Fund Balances	<u>64,484</u>	<u>18,960</u>	<u>23,851</u>	<u>107,295</u>
Total Liabilities and Fund Balances	<u>\$ 78,158</u>	<u>\$ 20,479</u>	<u>\$ 25,466</u>	<u>\$ 124,103</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Permanent Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>Soldiers', Sailors', & Marines'</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Revenues				
Investment Earnings	\$ 1,185	\$ 301	\$ 317	\$ 1,803
Miscellaneous	310	-	-	310
Total Revenues	<u>1,495</u>	<u>301</u>	<u>317</u>	<u>2,113</u>
Expenditures				
General Government	2,000	-	-	2,000
Conservation and Development	-	385	-	385
Health and Hospital	-	-	1	1
Education, Libraries, and Museums	-	-	4	4
Total Expenditures	<u>2,000</u>	<u>385</u>	<u>5</u>	<u>2,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(505)</u>	<u>(84)</u>	<u>312</u>	<u>(277)</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(329)	(329)
Transfers In	-	-	23	23
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(306)</u>	<u>(306)</u>
Net Change in Fund Balances	<u>(505)</u>	<u>(84)</u>	<u>6</u>	<u>(583)</u>
Fund Balances - Beginning (restated)	<u>64,989</u>	<u>19,044</u>	<u>23,845</u>	<u>107,878</u>
Fund Balances - Ending	<u>\$ 64,484</u>	<u>\$ 18,960</u>	<u>\$ 23,851</u>	<u>\$ 107,295</u>

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Enterprise Funds

Bradley Parking Garage:

In 2000, Bradley parking garage bonds were issued in the amount of \$53,800,000. These bonds were issued to build a parking garage at the airport.

Second Injury and Compensation Assurance:

An extension of the Worker's compensation Act, the fund is currently used to pay claimants whose injuries are made more severe because of a pre-existing condition and in cases where an injured worker receiving worker's compensation subsequently undergoes an incapacitating relapse.

Drinking Water:

This fund is used to account for resources used to provide loans to municipalities to finance activities needed to achieve or maintain compliance with the Safe Drinking Water Act.

Combining Statement of Net Position Nonmajor Enterprise Funds

June 30, 2016

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 40,166	\$ 80	\$ 7,330	\$ 47,576
Accounts Receivable, Net of Allowances	7,352	215	-	7,567
Loans, Net of Allowances	-	-	23,496	23,496
Interest Receivable	-	-	423	423
Other	11	-	-	11
Total Current Assets	<u>47,529</u>	<u>295</u>	<u>31,249</u>	<u>79,073</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	-	72,384	72,384
Receivables:				
Loans, Net of Allowances	-	-	108,223	108,223
Restricted Assets	-	15,035	48,718	63,753
Capital Assets, Net of Accumulated Depreciation	-	25,848	-	25,848
Other Noncurrent Assets	-	363	-	363
Total Noncurrent Assets	<u>-</u>	<u>41,246</u>	<u>229,325</u>	<u>270,571</u>
Total Assets	<u>47,529</u>	<u>41,541</u>	<u>260,574</u>	<u>349,644</u>
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	-	-	82	82
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>82</u>	<u>82</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	7,195	2,291	1,215	10,701
Current Portion of Long-Term Debt	557	2,580	6,653	9,790
Total Current Liabilities	<u>7,752</u>	<u>4,871</u>	<u>7,868</u>	<u>20,491</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Liabilities	1,182	58,872	77,015	137,069
Total Noncurrent Liabilities	<u>1,182</u>	<u>58,872</u>	<u>77,015</u>	<u>137,069</u>
Total Liabilities	<u>8,934</u>	<u>63,743</u>	<u>84,883</u>	<u>157,560</u>
Deferred Inflows of Resources				
Deferred Inflows Other	-	-	11	11
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>11</u>	<u>11</u>
Net Position (Deficit)				
Net Investment in Capital Assets	-	(4,747)	-	(4,747)
Restricted for:				
Debt Service	-	4,508	-	4,508
Drinking Water Projects	-	-	144,913	144,913
Unrestricted (Deficit)	38,595	(21,963)	30,849	47,481
Total Net Position (Deficit)	<u>\$ 38,595</u>	<u>\$ (22,202)</u>	<u>\$ 175,762</u>	<u>\$ 192,155</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Nonmajor Enterprise Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Operating Revenues				
Assessments	\$ 39,799	\$ -	\$ -	\$ 39,799
Charges for Sales and Services (Net of discounts \$1,688)	-	26,667	-	26,667
Interest on Loans	-	-	2,721	2,721
Miscellaneous	649	-	-	649
Total Operating Revenues	<u>40,448</u>	<u>26,667</u>	<u>2,721</u>	<u>69,836</u>
Operating Expenses				
Salaries, Wages, and Administrative	8,173	7,569	2,927	18,669
Claims Paid	26,546	-	-	26,546
Depreciation and Amortization	-	1,140	-	1,140
Other	-	-	1,701	1,701
Total Operating Expenses	<u>34,719</u>	<u>8,709</u>	<u>4,628</u>	<u>48,056</u>
Operating Income	<u>5,729</u>	<u>17,958</u>	<u>(1,907)</u>	<u>21,780</u>
Nonoperating Revenues (Expenses)				
Interest and Investment Income	107	35	737	879
Interest and Fiscal Charges	-	(2,442)	(3,629)	(6,071)
Other	-	(12,209)	579	(11,630)
Total Nonoperating Income (Expense)	<u>107</u>	<u>(14,616)</u>	<u>(2,313)</u>	<u>(16,822)</u>
Income (Loss) Before Grants and Transfers	<u>5,836</u>	<u>3,342</u>	<u>(4,220)</u>	<u>4,958</u>
Federal Capitalization Grants	-	-	7,845	7,845
Transfers In	-	-	4,075	4,075
Change in Net Position	<u>5,836</u>	<u>3,342</u>	<u>7,700</u>	<u>16,878</u>
Total Net Position (Deficit) - Beginning	<u>32,759</u>	<u>(25,544)</u>	<u>168,062</u>	<u>175,277</u>
Total Net Position (Deficit) - Ending	<u>\$ 38,595</u>	<u>\$ (22,202)</u>	<u>\$ 175,762</u>	<u>\$ 192,155</u>

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>Second Injury & Compensation Assurance</u>	<u>Bradley Parking Garage</u>	<u>Drinking Water</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from Customers	\$ 40,049	\$ 26,715	\$ 12,699	\$ 79,463
Payments to Suppliers	-	(5,976)	(1,701)	(7,677)
Payments to Employees	(8,143)	(1,834)	(2,569)	(12,546)
Other Receipts (Payments)	(26,460)	(1,872)	(20,445)	(48,777)
Net Cash Provided by (Used in) Operating Activities	<u>5,446</u>	<u>17,033</u>	<u>(12,016)</u>	<u>10,463</u>
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	(2,415)	(7,343)	(9,758)
Interest of Bonds	-	(2,442)	(3,199)	(5,641)
Transfers Out	-	-	4,075	4,075
Other Receipts (Payments)	-	(12,298)	-	(12,298)
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>(17,155)</u>	<u>(6,467)</u>	<u>(23,622)</u>
Cash Flows from Capital and Related Financing Activities				
Federal Grant	-	-	8,350	8,350
Net Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>8,350</u>	<u>8,350</u>
Cash Flows from Investing Activities				
Interest on Investments	105	35	752	892
Other Receipts (Payments)	-	-	9,053	9,053
Net Cash Flows from Investing Activities	<u>105</u>	<u>35</u>	<u>9,805</u>	<u>9,945</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,551	(87)	(328)	5,136
Cash and Cash Equivalents - Beginning of Year	34,616	168	7,657	42,441
Cash and Cash Equivalents - End of Year	<u>\$ 40,167</u>	<u>\$ 81</u>	<u>\$ 7,329</u>	<u>\$ 47,577</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ 5,729	\$ 17,958	\$ (1,907)	\$ 21,780
Adjustments not Affecting Cash:				
Depreciation and Amortization	-	1,140	-	1,140
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	375	50	285	710
(Increase) Decrease in Inventories and Other Assets		(624)	(10,394)	(11,018)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(658)	(1,491)	-	(2,149)
Total Adjustments	<u>(283)</u>	<u>(925)</u>	<u>(10,109)</u>	<u>(11,317)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 5,446</u>	<u>\$ 17,033</u>	<u>\$ (12,016)</u>	<u>\$ 10,463</u>

Internal Service Funds

Correction Industries:

This fund is used to account for the revenues and expenses associated with the sale of goods resulting from the industrial activities of the inmates at correctional institutions.

Administrative Services:

This fund is used to account for the various services provided by the Department of Administrative Services to other agencies. For example, fleet operations, printing, etc.

Information Technology:

This fund is used to account for the various services provided by the Department of Information Technology to other agencies. For example, information systems support telecommunications, etc.

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

(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	\$ 6,843	\$ 5,659	\$ -	\$ 12,502
Receivables, Net of Allowances	130	63	65	258
Due From Other Funds	361	2,782	2,039	5,182
Inventories	4,135	-	76	4,211
Other Current Assets	39	-	155	194
Total Current Assets	<u>11,508</u>	<u>8,504</u>	<u>2,335</u>	<u>22,347</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	2,277	-	53,092	55,369
Other Noncurrent Assets	-	-	107	107
Total Noncurrent Assets	<u>2,277</u>	<u>-</u>	<u>53,199</u>	<u>55,476</u>
Total Assets	<u>13,785</u>	<u>8,504</u>	<u>55,534</u>	<u>77,823</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,759	340	268	2,367
Due To Other Funds	-	-	19,265	19,265
Compensated Absences-Current Portion	44	20	22	86
Total Current Liabilities	<u>1,803</u>	<u>360</u>	<u>19,555</u>	<u>21,718</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	705	-	705
Compensated Absences	615	453	378	1,446
Total Noncurrent Liabilities	<u>615</u>	<u>1,158</u>	<u>378</u>	<u>2,151</u>
Total Liabilities	<u>2,418</u>	<u>1,518</u>	<u>19,933</u>	<u>23,869</u>
Net Position				
Net Investment in Capital Assets	2,277	-	53,199	55,476
Unrestricted (Deficit)	9,090	6,986	(17,598)	(1,522)
Total Net Position	<u>\$ 11,367</u>	<u>\$ 6,986</u>	<u>\$ 35,601</u>	<u>\$ 53,954</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position Internal Service Funds

For The Fiscal Year Ended June 30, 2016
(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	\$ 25,410	\$ 4,604	\$ 25,807	\$ 55,821
Miscellaneous	153	-	-	153
Total Operating Revenues	<u>25,563</u>	<u>4,604</u>	<u>25,807</u>	<u>55,974</u>
Operating Expenses				
Salaries, Wages, and Administrative	23,658	3,804	7,662	35,124
Depreciation and Amortization	853	-	16,901	17,754
Total Operating Expenses	<u>24,511</u>	<u>3,804</u>	<u>24,563</u>	<u>52,878</u>
Operating Income	<u>1,052</u>	<u>800</u>	<u>1,244</u>	<u>3,096</u>
Nonoperating Revenue (Expenses)				
Investment Income	437	-	-	437
Other Nonoperating Revenue (Expense)	(2,648)	-	-	(2,648)
Total Nonoperating Revenue (Expense)	<u>(2,211)</u>	<u>-</u>	<u>-</u>	<u>(2,211)</u>
Income before Capital Contributions	<u>(1,159)</u>	<u>800</u>	<u>1,244</u>	<u>885</u>
Change in Net Position	(1,159)	800	1,244	885
Total Net Position - Beginning	<u>12,526</u>	<u>6,186</u>	<u>34,357</u>	<u>53,069</u>
Total Net Position - Ending	<u>\$ 11,367</u>	<u>\$ 6,986</u>	<u>\$ 35,601</u>	<u>\$ 53,954</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2016

(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	\$ 25,573	\$ 6,372	\$ 25,788	\$ 57,733
Payments to Suppliers	(20,072)	(692)	(6,296)	(27,060)
Payments to Employees	(3,031)	(3,101)	(4,426)	(10,558)
Other Receipts (Payments)	147	-	(72)	75
Net Cash Provided by (Used in) Operating Activities	<u>2,617</u>	<u>2,579</u>	<u>14,994</u>	<u>20,190</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(684)	-	(14,994)	(15,678)
Net Cash Flows from Capital and Related Financing Activities	<u>(684)</u>	<u>-</u>	<u>(14,994)</u>	<u>(15,678)</u>
Cash Flows from Noncapital Financing Activities				
Other Receipts (Payments)	(2,648)	-	-	(2,648)
Net Cash Flows from Noncapital Financing Activities	<u>(2,648)</u>	<u>-</u>	<u>-</u>	<u>(2,648)</u>
Cash Flows from Investing Activities				
Interest on Investments	437	-	-	437
Net Cash Flows from Investing Activities	<u>437</u>	<u>-</u>	<u>-</u>	<u>437</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(278)	2,579	-	2,301
Cash and Cash Equivalents - Beginning of Year	7,121	3,080	-	10,201
Cash and Cash Equivalents - End of Year	<u>\$ 6,843</u>	<u>\$ 5,659</u>	<u>\$ -</u>	<u>\$ 12,502</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income	\$ 1,052	\$ 800	\$ 1,244	\$ 3,096
Adjustments Not Affecting Cash:				
Depreciation	853	-	16,901	17,754
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(121)	484	49	412
(Increase) Decrease in Due From Other Funds	284	1,284	(68)	1,500
(Increase) Decrease in Inventories and Other Assets	(5)	-	(72)	(77)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	554	11	(3,060)	(2,495)
Total Adjustments	<u>1,565</u>	<u>1,779</u>	<u>13,750</u>	<u>17,094</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 2,617</u>	<u>\$ 2,579</u>	<u>\$ 14,994</u>	<u>\$ 20,190</u>

Pension and (Other Employee Benefit) Trust Funds

Pension Trust Funds:

See notes 10 and 11 for a description of the Pension Trust Funds.

Retired Teachers' Health Benefits Plan:

This fund is used to account for resources used to provide health benefits to retired teachers and their beneficiaries. The plan is administered by the Teachers' Retirement Board.

Policemen, Firemen and Survivors' Benefits Plan:

This fund is used to account for resources used to provide benefits to the survivors of policemen and firemen. The plan is administered by the State Comptroller's Retirement Division.

State Employees' Health Benefits Plan:

This fund is used to account for resources used to provide health benefits to retired State employees and their beneficiaries. The plan is administered by the State Comptroller's Retirement Division.

Combining Statement of Fiduciary Net Position Pension (and Other Employee Benefit) Trust Funds

June 30, 2016

(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	\$ 607	\$ 5,306	\$ -	\$ 3,566
Receivables:				
Accounts, Net of Allowances	15,990	11,360	73	12,804
From Other Governments	-	1,075	-	-
From Other Funds	42	(2)	-	1
Interest	487	956	7	84
Investments	10,636,703	15,584,564	189,678	2,212,023
Securities Lending Collateral	959,799	1,370,928	17,016	198,596
Noncurrent:				
Due From Employers	-	-	-	279,178
Total Assets	<u>11,613,628</u>	<u>16,974,187</u>	<u>206,774</u>	<u>2,706,252</u>
Liabilities				
Accounts Payable and Accrued Liabilities	37	6,429	-	-
Securities Lending Obligation	959,799	1,370,928	17,016	198,596
Due to Other Funds	-	1,958	-	-
Total Liabilities	<u>959,836</u>	<u>1,379,315</u>	<u>17,016</u>	<u>198,596</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	<u>10,653,792</u>	<u>15,594,872</u>	<u>189,758</u>	<u>2,507,656</u>
Total Net Position	<u>\$ 10,653,792</u>	<u>\$ 15,594,872</u>	<u>\$ 189,758</u>	<u>\$ 2,507,656</u>

<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>
\$ -	\$ 332	\$ 78,022	\$ 34	\$ -		\$ 87,867
4	-	-	-	-		40,231
-	-	-	-	-		1,075
-	-	1,968	-	(35)		1,974
3	-	-	1	-		1,538
87,268	1,546	-	28,588	395,436		29,135,806
8,113	175	-	2,450	30,672		2,587,749
-	-	-	-	-		279,178
<u>95,388</u>	<u>2,053</u>	<u>79,990</u>	<u>31,073</u>	<u>426,073</u>		<u>32,135,418</u>
14	-	3,110	-	29,508		39,098
8,113	175	-	2,450	30,672		2,587,749
12	-	-	-	25,275		27,245
<u>8,139</u>	<u>175</u>	<u>3,110</u>	<u>2,450</u>	<u>85,455</u>		<u>2,654,092</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>\$ 87,249</u>	<u>\$ 1,878</u>	<u>\$ 76,880</u>	<u>\$ 28,623</u>	<u>\$ 340,618</u>		<u>\$ 29,481,326</u>

Combining Statement of Changes in Fiduciary Net Position Pension (and Other Employee Benefit) Trust Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	Pension Trust			
	State Employees	State Teachers	Judicial	Connecticut Municipal Employees
Additions				
Contributions:				
Plan Members	\$ 135,029	\$ 293,493	\$ 1,831	\$ 24,019
State	1,501,805	975,578	18,259	-
Municipalities	-	142	-	135,754
Total Contributions	<u>1,636,834</u>	<u>1,269,213</u>	<u>20,090</u>	<u>159,773</u>
Investment Income	(983)	(181,425)	14,148	174,331
Less: Investment Expenses	<u>883</u>	<u>162,952</u>	<u>(12,708)</u>	<u>(156,581)</u>
Net Investment Income	<u>(100)</u>	<u>(18,473)</u>	<u>1,440</u>	<u>17,750</u>
Other	10,058	-	66	505
Total Additions	<u>1,646,792</u>	<u>1,250,740</u>	<u>21,596</u>	<u>178,028</u>
Deductions				
Administrative Expense	651	-	-	-
Benefit Payments and Refunds	1,736,279	1,738,131	22,994	144,230
Other	-	153,763	-	-
Total Deductions	<u>1,736,930</u>	<u>1,891,894</u>	<u>22,994</u>	<u>144,230</u>
Changes in Net Position	(90,138)	(641,154)	(1,398)	33,798
Net Position Held in Trust For Pension and Other Employee Benefits				
Beginning of Year (as restated)	<u>10,743,930</u>	<u>16,236,026</u>	<u>191,156</u>	<u>2,473,858</u>
End of Year	<u>\$ 10,653,792</u>	<u>\$ 15,594,872</u>	<u>\$ 189,758</u>	<u>\$ 2,507,656</u>

<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>
\$ 241	\$ 43	\$ 92,437	\$ 568	\$ 125,192	\$	672,853
-	-	19,960	-	608,593		3,124,195
-	-	-	676	-		136,572
<u>241</u>	<u>43</u>	<u>112,397</u>	<u>1,244</u>	<u>733,785</u>		<u>3,933,620</u>
7,023	(29)	220	1,707	73,519		88,511
(6,308)	26	-	(1,533)	(66,034)		(79,303)
<u>715</u>	<u>(3)</u>	<u>220</u>	<u>174</u>	<u>7,485</u>		<u>9,208</u>
1,444	1	1,504	-	-		13,578
<u>2,400</u>	<u>41</u>	<u>114,121</u>	<u>1,418</u>	<u>741,270</u>		<u>3,956,406</u>
-	-	3,612	-	-		4,263
5,029	-	125,415	1,199	632,498		4,405,775
-	-	1,495	-	79		155,337
<u>5,029</u>	<u>-</u>	<u>130,522</u>	<u>1,199</u>	<u>632,577</u>		<u>4,565,375</u>
(2,629)	41	(16,401)	219	108,693		(608,969)
<u>89,878</u>	<u>1,837</u>	<u>93,281</u>	<u>28,404</u>	<u>231,925</u>		<u>30,090,295</u>
<u>\$ 87,249</u>	<u>\$ 1,878</u>	<u>\$ 76,880</u>	<u>\$ 28,623</u>	<u>\$ 340,618</u>	<u>\$</u>	<u>29,481,326</u>

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Agency Funds

Insurance Companies' Securities:

To account for securities that are deposited with the Treasurer to be held for policyholders of insurance companies as a prerequisite to such companies transacting business with the State.

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2016

(Expressed in Thousands)

	Fringe Benefit Clearing	Receipts Pending Distribution	Insurance Companies' Securities	State Institution Activity	Other	Total
Assets						
Cash and Cash Equivalents	\$ -	\$ 63,695	\$ -	\$ 22,654	\$ 147,567	\$ 233,916
Receivables:						
Accounts, Net of Allowances	-	1,570	-	57	-	1,627
From Other Funds	4,149	-	-	-	-	4,149
Interest	-	-	-	6	46	52
Other Assets	-	-	323,177	12	29,542	352,731
Total Assets	<u>\$ 4,149</u>	<u>\$ 65,265</u>	<u>\$ 323,177</u>	<u>\$ 22,729</u>	<u>\$ 177,155</u>	<u>\$ 592,475</u>
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 50,508	\$ -	\$ 998	\$ 56	\$ 51,562
Due To Other Funds	347	-	-	-	-	347
Funds Held for Others	3,802	14,757	323,177	21,731	177,099	540,566
Total Liabilities	<u>\$ 4,149</u>	<u>\$ 65,265</u>	<u>\$ 323,177</u>	<u>\$ 22,729</u>	<u>\$ 177,155</u>	<u>\$ 592,475</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Fringe Benefit Clearing</u>				
Assets				
Cash and Cash Equivalents	\$ 1,016	\$ -	\$ 1,016	\$ -
From Other Funds	4,141	4,149	4,141	4,149
Total Assets	<u>\$ 5,157</u>	<u>\$ 4,149</u>	<u>\$ 5,157</u>	<u>\$ 4,149</u>
Liabilities				
Due to Other Funds	\$ -	\$ 347	\$ -	\$ 347
Funds Held for Others	5,157	3,802	5,157	3,802
Total Liabilities	<u>\$ 5,157</u>	<u>\$ 4,149</u>	<u>\$ 5,157</u>	<u>\$ 4,149</u>
<u>Receipts Pending Distribution</u>				
Assets				
Cash and Cash Equivalents	\$ 58,497	\$ 63,695	\$ 58,497	\$ 63,695
Accounts, Net of Allowances	1,226	1,570	1,226	1,570
Total Assets	<u>\$ 59,723</u>	<u>\$ 65,265</u>	<u>\$ 59,723</u>	<u>\$ 65,265</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 43,028	\$ 50,508	\$ 43,028	\$ 50,508
Funds Held for Others	16,695	14,757	16,695	14,757
Total Liabilities	<u>\$ 59,723</u>	<u>\$ 65,265</u>	<u>\$ 59,723</u>	<u>\$ 65,265</u>
<u>Insurance Companies' Securities</u>				
Assets				
Other Assets	\$ 352,902	\$ 323,177	\$ 352,902	\$ 323,177
Total Assets	<u>\$ 352,902</u>	<u>\$ 323,177</u>	<u>\$ 352,902</u>	<u>\$ 323,177</u>
Liabilities				
Funds Held for Others	\$ 352,902	\$ 323,177	\$ 352,902	\$ 323,177
Total Liabilities	<u>\$ 352,902</u>	<u>\$ 323,177</u>	<u>\$ 352,902</u>	<u>\$ 323,177</u>
<u>State Institution Activity</u>				
Assets				
Cash and Cash Equivalents	\$ 21,951	\$ 22,654	\$ 21,951	\$ 22,654
Accounts, Net of Allowances	12	57	12	57
Interest	2	6	2	6
Inventories	28	-	28	-
Other Assets	809	12	809	12
Total Assets	<u>\$ 22,802</u>	<u>\$ 22,729</u>	<u>\$ 22,802</u>	<u>\$ 22,729</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,358	\$ 998	\$ 1,358	\$ 998
Funds Held for Others	21,444	21,731	21,444	21,731
Total Liabilities	<u>\$ 22,802</u>	<u>\$ 22,729</u>	<u>\$ 22,802</u>	<u>\$ 22,729</u>

continues

Combining Statement of Changes in Assets and Liabilities

continued

Agency Funds

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Other</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 275,958	\$ 147,567	\$ 275,958	\$ 147,567
Interest	76	46	76	46
Other Assets	27,023	29,542	27,023	29,542
Total Assets	<u>\$ 303,057</u>	<u>\$ 177,155</u>	<u>\$ 303,057</u>	<u>\$ 177,155</u>
<u>Liabilities</u>				
Accounts Payable and Accrued Liabilities	\$ 756	\$ 56	\$ 756	\$ 56
Funds Held for Others	302,301	177,099	302,301	177,099
Total Liabilities	<u>\$ 303,057</u>	<u>\$ 177,155</u>	<u>\$ 303,057</u>	<u>\$ 177,155</u>
<u>Total - All Agency Funds</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 357,422	\$ 233,916	\$ 357,422	\$ 233,916
Accounts, Net of Allowances	1,238	1,627	1,238	1,627
From Other Funds	4,141	4,149	4,141	4,149
Interest	78	52	78	52
Inventories	28	-	28	-
Other Assets	380,734	352,731	380,734	352,731
Total Assets	<u>\$ 743,641</u>	<u>\$ 592,475</u>	<u>\$ 743,641</u>	<u>\$ 592,475</u>
<u>Liabilities</u>				
Accounts Payable and Accrued Liabilities	\$ 45,142	\$ 51,562	\$ 45,142	\$ 51,562
Due to Other Funds	-	347	-	347
Funds Held for Others	698,499	540,566	698,499	540,566
Total Liabilities	<u>\$ 743,641</u>	<u>\$ 592,475</u>	<u>\$ 743,641</u>	<u>\$ 592,475</u>

Component Units

Connecticut Health and Educational Facilities Authority:

The Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority 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 Resources Recovery Authority:

The Connecticut Resources Recovery Authority is a public instrumentality and political subdivision of the State. The Authority is responsible for implementing the State's solid waste management plan, which includes design, construction, and operation of resources recovery facilities, and the marketing of recovered products.

Connecticut Higher Education Supplemental Loan Authority:

The Connecticut Higher Education Supplementary Loan Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its bond funds.

Capital Region Development Authority:

The Capital Region Development Authority is a public instrumentality of the state. The authority was created in 1998 to use municipal and state financial resources for the purpose of building a variety of Hartford based projects ranging from facilities to accommodate the exhibition, hospitality, and tourism industries to downtown residential housing.

Connecticut Innovations, Incorporated:

Connecticut Innovations is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut by providing financial technical assistance.

UConn Foundation:

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.

Clean Energy Finance and Investment Authority:

Clean Energy Finance and Investment Authority was created to develop programs 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 Student Loan Foundation:

Connecticut Student Loan Foundation 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.

Combining Statement of Net Position Nonmajor Component Units

June 30, 2016

(Expressed in Thousands)

	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health and Educational Facilities Authority	Connecticut Student Loan Foundation	Materials, Innovations, and Recycling Authority	Connecticut Innovations, Incorporated
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 5,093	\$ 138	\$ 1,334	\$ 43,682	\$ 46,778
Investments	-	5,272	-	-	1,841
Receivables:					
Accounts, Net of Allowances	-	676	25	4,952	-
Loans, Net of Allowances	446	-	-	-	5,865
Interest Receivable	105	-	-	-	1,737
Due From Primary Government	-	-	-	-	413
Restricted Assets	61,900	322,194	34,485	207	-
Inventories	-	-	-	5,954	-
Other Current Assets	107	80	15	3,295	1,156
Total Current Assets	<u>67,651</u>	<u>328,360</u>	<u>35,859</u>	<u>58,090</u>	<u>57,790</u>
Noncurrent Assets:					
Investments	-	-	-	-	82,346
Accounts, Net of Allowances	-	-	-	-	-
Loans, Net of Allowances	95,616	-	265,248	-	44,697
Restricted Assets	21,870	6,813	-	-	19,310
Capital Assets, Net of Accumulated Depreciation	-	124	-	98,496	200
Other Noncurrent Assets	-	-	-	-	100
Total Noncurrent Assets	<u>117,486</u>	<u>6,937</u>	<u>265,248</u>	<u>98,496</u>	<u>146,653</u>
Total Assets	<u>185,137</u>	<u>335,297</u>	<u>301,107</u>	<u>156,586</u>	<u>204,443</u>
Deferred Outflows of Resources					
Related to Pensions	-	-	-	-	2,781
Other	-	-	-	-	72
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,853</u>
Liabilities					
Current Liabilities:					
Accounts Payable & Accrued Liabilities	1,197	146	1,792	9,526	2,843
Current Portion of Long-Term Obligations	10,515	-	-	-	525
Due To Primary Government	-	-	-	-	-
Amounts Held for Institutions	-	318,694	-	-	-
Other Liabilities	-	-	-	-	10,902
Total Current Liabilities	<u>11,712</u>	<u>318,840</u>	<u>1,792</u>	<u>9,526</u>	<u>14,270</u>
Noncurrent Liabilities:					
Pension Liability	-	-	-	-	26,989
Noncurrent Portion of Long-Term Obligations	144,465	2,174	274,090	5,000	4,655
Total Noncurrent Liabilities	<u>144,465</u>	<u>2,174</u>	<u>274,090</u>	<u>5,000</u>	<u>31,644</u>
Total Liabilities	<u>156,177</u>	<u>321,014</u>	<u>275,882</u>	<u>14,526</u>	<u>45,914</u>
Deferred Inflows of Resources					
Unamortized Investment Earnings	-	-	-	-	-
Related to Pensions	-	-	-	-	1,592
Other Deferred Inflows	1,889	-	-	-	-
Total Deferred Inflows of Resources	<u>1,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,592</u>
Net Position					
Net Investment in Capital Assets	-	124	-	98,496	200
Restricted:					
Expendable Endowments	-	-	-	-	-
Nonexpendable Endowments	-	-	-	-	-
Other Purposes	18,502	8,138	7,557	49	5,011
Unrestricted (Deficit)	8,569	6,021	17,668	43,515	154,579
Total Net Position	<u>\$ 27,071</u>	<u>\$ 14,283</u>	<u>\$ 25,225</u>	<u>\$ 142,060</u>	<u>\$ 159,790</u>

<u>UConn Foundation</u>	<u>Capital Region Development Authority</u>	<u>Connecticut Green Bank</u>	<u>Total</u>
\$ 11,463	\$ 18,267	\$ 48,072	\$ 174,827
392,759	-	-	399,872
32,589	4,900	4,101	47,243
-	-	-	6,311
-	-	-	1,842
-	-	-	413
-	4,319	-	423,105
-	-	-	5,954
-	787	8,679	14,119
<u>436,811</u>	<u>28,273</u>	<u>60,852</u>	<u>1,073,686</u>
-	-	1,000	83,346
30,472	-	-	30,472
-	35,512	-	441,073
891	5,120	9,750	63,754
6,172	303,155	57,864	466,011
1,191	901	47,112	49,304
<u>38,726</u>	<u>344,688</u>	<u>115,726</u>	<u>1,133,960</u>
<u>475,537</u>	<u>372,961</u>	<u>176,578</u>	<u>2,207,646</u>
-	-	2,573	5,354
-	-	-	72
-	-	2,573	5,426
7,216	20,497	35,674	78,891
-	4,011	-	15,051
-	34,701	-	34,701
-	-	-	318,694
-	-	-	10,902
<u>7,216</u>	<u>59,209</u>	<u>35,674</u>	<u>458,239</u>
-	-	16,096	43,085
<u>37,507</u>	<u>90,518</u>	<u>-</u>	<u>558,409</u>
<u>37,507</u>	<u>90,518</u>	<u>16,096</u>	<u>601,494</u>
<u>44,723</u>	<u>149,727</u>	<u>51,770</u>	<u>1,059,733</u>
-	-	(3)	(3)
-	-	-	1,592
-	-	-	1,889
-	-	(3)	3,478
(10,590)	174,525	57,864	320,619
85,872	-	-	85,872
355,532	-	1	355,533
-	40,901	9,750	89,908
-	7,808	59,769	297,929
<u>\$ 430,814</u>	<u>\$ 223,234</u>	<u>\$ 127,384</u>	<u>\$ 1,149,861</u>

Combining Statement of Activities

Nonmajor Component Units

For The Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Higher Education Supplemental Loan Authority	\$ 9,419	\$ 16,889	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	9,252	7,802	-	-
Connecticut Student Loan Foundation	17,764	10,925	-	-
Materials, Innovations, and Recycling Authority	100,674	83,336	-	-
Connecticut Innovations, Incorporated	46,588	25,124	4,687	-
UConn Foundation	53,783	51,885	-	-
Capital Region Development Authority	54,543	44,315	7,333	3,854
Connecticut Green Bank	31,857	50,083	-	-
Total Nonmajor Component Units	<u>\$ 323,880</u>	<u>\$ 290,359</u>	<u>\$ 12,020</u>	<u>\$ 3,854</u>

General Revenues:
 Investment Income
 Total General Revenues and
 Contributions
 Change in Net Position
 Total Net Position - Beginning
 Total Net Position - Ending

**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	Totals
\$ 7,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,470
-	(1,450)	-	-	-	-	-	-	(1,450)
-	-	(6,839)	-	-	-	-	-	(6,839)
-	-	-	(17,338)	-	-	-	-	(17,338)
-	-	-	-	(16,777)	-	-	-	(16,777)
-	-	-	-	-	(1,898)	-	-	(1,898)
-	-	-	-	-	-	959	-	959
-	-	-	-	-	-	-	18,226	18,226
<u>7,470</u>	<u>(1,450)</u>	<u>(6,839)</u>	<u>(17,338)</u>	<u>(16,777)</u>	<u>(1,898)</u>	<u>959</u>	<u>18,226</u>	<u>(17,647)</u>
<u>1,261</u>	<u>43</u>	<u>29</u>	<u>44</u>	<u>(4,623)</u>	<u>(3,070)</u>	<u>372</u>	<u>(9)</u>	<u>(5,953)</u>
<u>1,261</u>	<u>43</u>	<u>29</u>	<u>44</u>	<u>(4,623)</u>	<u>(3,070)</u>	<u>372</u>	<u>(9)</u>	<u>(5,953)</u>
8,731	(1,407)	(6,810)	(17,294)	(21,400)	(4,968)	1,331	18,217	(23,600)
18,340	15,690	32,035	159,354	181,190	435,782	221,903	109,167	1,173,461
<u>\$ 27,071</u>	<u>\$ 14,283</u>	<u>\$ 25,225</u>	<u>\$ 142,060</u>	<u>\$ 159,790</u>	<u>\$ 430,814</u>	<u>\$ 223,234</u>	<u>\$ 127,384</u>	<u>\$1,149,861</u>

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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.

Net Position by Component	150
Changes in Net Position	152
Fund Balances, Governmental Funds	154
Changes in Fund Balances, Governmental Funds	154

REVENUE CAPACITY INFORMATION

These schedules present revenue capacity information for the State’s most significant revenue source, the personal income tax.

Personal Income Tax Rates	155
Personal Income Tax Filers and Liability by Income Level	155
Personal Income by Major Component	156

DEBT CAPACITY INFORMATION

These schedules present information to assist the user in understanding and assessing a government’s debt burden and its ability to issue additional debt.

Legal Debt Margin	159
Ratios of Outstanding Debt by Type	160
Ratios of Net General Bonded Debt	160
Pledged-Revenue Coverage	162

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.

Population and Per Capita Personal Income	166
Employment Information	166
Top Ten Employers	168

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	169
Operating Indicators by Function	170
Capital Asset Statistics by Function	172

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

Net Position by Component

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:			
Net Invested in Capital Assets	\$ 4,269,038	\$ 4,930,749	\$ 5,499,602
Restricted	1,384,938	1,641,377	1,617,726
Unrestricted	<u>(10,497,613)</u>	<u>(13,460,055)</u>	<u>(16,686,518)</u>
Total Governmental Activities Net Position	<u>\$ (4,843,637)</u>	<u>\$ (6,887,929)</u>	<u>\$ (9,569,190)</u>
Business-Type Activities:			
Net Invested in Capital Assets	\$ 2,345,553	\$ 2,465,734	\$ 2,499,175
Restricted	1,769,958	1,649,200	1,359,459
Unrestricted	<u>235,022</u>	<u>306,755</u>	<u>373,035</u>
Total Business-Type Activities Net Position	<u>\$ 4,350,533</u>	<u>\$ 4,421,689</u>	<u>\$ 4,231,669</u>
Primary Government:			
Net Invested in Capital Assets	\$ 6,614,591	\$ 7,396,483	\$ 7,998,777
Restricted	3,154,896	3,290,577	2,977,185
Unrestricted	<u>(10,262,591)</u>	<u>(13,153,300)</u>	<u>(16,313,483)</u>
Total Primary Government Net Position	<u>\$ (493,104)</u>	<u>\$ (2,466,240)</u>	<u>\$ (5,337,521)</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.

2010	2011	2012	2013	2014	2015	2016
\$ 4,910,178	\$ 4,905,025	\$ 5,305,440	\$ 5,824,691	\$ 5,776,818	\$ 4,957,690	\$ 4,530,912
1,777,780	1,809,873	1,647,790	2,282,900	1,795,757	1,884,897	1,977,196
<u>(20,361,003)</u>	<u>(20,764,608)</u>	<u>(21,984,094)</u>	<u>(23,199,567)</u>	<u>(24,943,380)</u>	<u>(47,667,704)</u>	<u>(50,635,847)</u>
<u>\$ (13,673,045)</u>	<u>\$ (14,049,710)</u>	<u>\$ (15,030,864)</u>	<u>\$ (15,091,976)</u>	<u>\$ (17,370,805)</u>	<u>\$ (40,825,117)</u>	<u>\$ (44,127,739)</u>
\$ 2,544,919	\$ 2,677,999	\$ 2,810,724	\$ 3,029,092	\$ 3,169,151	\$ 3,448,779	\$ 3,794,464
1,157,139	1,051,544	995,806	898,180	1,065,211	1,154,457	1,089,692
<u>302,435</u>	<u>171,738</u>	<u>360,131</u>	<u>391,597</u>	<u>546,492</u>	<u>895,770</u>	<u>1,384,932</u>
<u>\$ 4,004,493</u>	<u>\$ 3,901,281</u>	<u>\$ 4,166,661</u>	<u>\$ 4,318,869</u>	<u>\$ 4,780,854</u>	<u>\$ 5,499,006</u>	<u>\$ 6,269,088</u>
\$ 7,455,097	\$ 7,583,024	\$ 8,116,164	\$ 8,853,783	\$ 8,945,969	\$ 8,406,469	\$ 8,325,376
2,934,919	2,861,417	2,643,596	3,181,080	2,860,968	3,039,354	3,066,888
<u>(20,058,568)</u>	<u>(20,592,870)</u>	<u>(21,623,963)</u>	<u>(22,807,970)</u>	<u>(24,396,888)</u>	<u>(46,771,934)</u>	<u>(49,250,915)</u>
<u>\$ (9,668,552)</u>	<u>\$ (10,148,429)</u>	<u>\$ (10,864,203)</u>	<u>\$ (10,773,107)</u>	<u>\$ (12,589,951)</u>	<u>\$ (35,326,111)</u>	<u>\$ (37,858,651)</u>

Changes in Net Position
Last Ten Fiscal Years
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Legislative	\$ 97,492	\$ 111,910	\$ 101,695	\$ 105,870	\$ 99,542	\$ 113,982	\$ 106,349	\$ 122,679	\$ 107,629	\$ 139,916
General Government	1,731,215	1,737,917	1,752,751	1,565,653	1,508,994	1,987,920	2,036,173	2,060,294	1,712,498	2,544,489
Regulation and Protection	702,467	788,419	768,272	796,124	780,363	853,458	868,187	905,310	1,028,126	968,289
Conservation and Development	429,057	473,797	562,507	565,836	529,292	692,719	665,365	997,092	921,859	1,103,531
Health and Hospital	2,003,994	2,298,272	2,278,059	2,443,119	2,300,369	2,475,759	2,540,349	2,623,687	2,172,348	2,772,452
Transportation	1,150,770	1,482,250	1,570,324	1,742,009	1,637,847	1,845,656	1,572,755	1,985,288	1,761,500	2,237,773
Human Services	4,828,418	5,743,810	6,208,275	6,829,916	6,675,895	7,223,118	7,471,625	8,272,895	6,736,623	9,115,540
Education, Libraries, and Museums	4,008,903	4,749,284	4,591,672	4,920,983	4,463,129	4,495,905	4,490,144	4,638,713	4,396,212	5,315,342
Corrections	1,836,147	2,085,053	2,071,331	2,082,743	1,932,375	2,061,176	1,976,657	2,142,788	1,820,490	2,307,516
Judicial	694,442	806,309	793,580	828,128	828,124	910,362	893,860	1,004,610	873,879	1,135,055
Interest and Fiscal Charges	635,113	733,791	810,403	792,950	873,847	816,508	779,515	922,110	796,727	829,246
Total Governmental Activities Expenses	18,118,018	21,010,812	21,508,869	22,673,331	21,629,777	23,476,563	23,400,979	25,675,466	22,327,891	28,469,149
Business-Type Activities:										
University of Connecticut and Health Center	1,519,026	1,626,532	1,725,343	1,703,104	1,806,815	1,801,687	1,872,131	2,050,529	2,154,599	2,255,211
Board of Regents	934,554	1,018,273	1,085,848	1,098,591	1,132,498	1,129,586	1,154,913	1,231,024	1,319,274	1,362,522
Employment Security	585,803	631,935	1,573,806	2,700,797	2,306,715	1,823,464	1,514,674	1,059,631	750,573	686,494
Clean Water	30,183	27,181	30,723	52,761	45,473	53,330	50,194	39,841	35,125	38,369
Other	68,581	68,618	65,091	78,013	61,199	58,152	58,989	72,674	69,099	65,757
Total Business-Type Activities Expenses	3,138,147	3,372,539	4,480,811	5,633,266	5,352,700	4,866,219	4,650,901	4,453,699	4,328,670	4,408,353
Total Primary Government Expenses	\$ 21,256,165	\$ 24,383,351	\$ 25,989,680	\$ 28,306,597	\$ 26,982,477	\$ 28,342,782	\$ 28,051,880	\$ 30,129,165	\$ 26,656,561	\$ 32,877,502
Program Revenues										
Governmental Activities:										
Charges for Services, Fees, Fines, and Forfeitures	\$ 1,317,480	\$ 1,447,573	\$ 1,490,271	\$ 1,522,375	\$ 1,647,311	\$ 1,952,042	\$ 1,575,556	\$ 1,726,200	\$ 1,902,257	\$ 1,997,571
Operating Grants and Contributions	3,974,468	4,271,504	5,552,688	6,113,086	6,350,067	5,770,935	5,992,403	6,496,625	7,095,874	7,179,312
Capital Grants and Contributions	411,516	442,310	646,416	765,837	725,080	716,056	767,793	610,274	717,358	778,909
Total Governmental Activities Program Revenues	5,703,464	6,161,387	7,689,375	8,401,298	8,722,458	8,439,033	8,335,752	8,833,099	9,715,489	9,955,792
Business-Type Activities:										
Charges for Services, Fees, Fines, and Forfeitures	1,907,265	1,943,772	2,062,643	2,170,823	2,336,105	2,471,871	2,484,561	2,546,840	2,599,678	2,819,354
Operating Grants and Contributions	296,851	322,936	907,050	1,885,115	1,789,697	1,412,355	1,172,820	780,137	676,418	594,260
Capital Grants and Contributions	10,199	32,167	53,351	7,386	34,098	12,328	51,614	27,807	32,807	6,026
Total Business-Type Activities Program Revenues	2,214,315	2,298,875	3,023,044	4,063,324	4,159,900	3,896,554	3,708,995	3,354,784	3,308,903	3,419,640
Total Primary Government Program Revenues	\$ 7,917,779	\$ 8,460,262	\$ 10,712,419	\$ 12,464,622	\$ 12,882,358	\$ 12,335,587	\$ 12,044,747	\$ 12,187,883	\$ 13,024,392	\$ 13,375,432
Net (Expense)/Revenue										
Governmental Activities	\$ (12,414,554)	\$ (14,849,425)	\$ (13,819,494)	\$ (14,272,033)	\$ (12,907,319)	\$ (15,037,530)	\$ (15,065,227)	\$ (16,842,367)	\$ (12,612,402)	\$ (18,513,357)
Business-Type Activities	(923,832)	(1,073,664)	(1,457,767)	(1,569,942)	(1,192,800)	(969,665)	(941,906)	(1,098,915)	(1,019,767)	(988,713)
Total Primary Government Net Expense	\$ (13,338,386)	\$ (15,923,089)	\$ (15,277,261)	\$ (15,841,975)	\$ (14,100,119)	\$ (16,007,195)	\$ (16,007,133)	\$ (17,941,282)	\$ (13,632,169)	\$ (19,502,070)

Note: In fiscal year 2014, the 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.

Connecticut

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Personal Income	\$ 6,270,806	\$ 6,588,233	\$ 5,657,309	\$ 5,773,609	\$ 6,327,263	\$ 7,360,165	\$ 7,743,804	\$ 7,752,553	\$ 8,186,946	\$ 9,091,156
Corporate Income	831,688	548,539	437,444	465,980	726,090	601,509	558,287	627,100	687,347	778,917
Sales and Use	3,509,164	3,537,911	3,301,096	3,150,203	3,365,250	3,880,607	3,953,768	4,116,012	4,167,054	4,224,989
Other	1,513,855	1,544,801	1,407,084	1,455,628	1,655,594	1,953,170	2,327,754	1,796,678	1,735,788	1,231,783
Restricted for Transportation Purposes:										
Motor Fuel	609,427	487,568	492,566	494,222	477,411	713,477	693,444	882,107	846,062	877,371
Other	67,888	192,663	196,034	209,684	237,242	76,618	79,000	82,216	83,868	69,752
Casino Gaming Payments	430,476	411,411	377,805	384,248	359,582	344,645	296,396	279,873	267,986	265,907
Tobacco Settlement	113,691	141,348	153,819	128,977	121,422	123,799	123,745	197,138	118,988	120,448
Lottery Tickets	279,000	283,000	283,000	285,500	289,300	310,000	312,100	319,500	319,700	335,387
Unrestricted Investment Earnings	165,472	131,915	42,493	27,681	18,434	15,955	3,942	27,313	22,091	16,535
Special Items:										
Statutory Payment from Component Units	-	-	13,150	-	-	-	-	31,000	-	-
Other	-	-	-	21,000	-	-	-	-	-	-
Transfers-Internal Activities	(1,144,548)	(1,062,256)	(1,156,590)	(1,347,362)	(1,080,151)	(1,227,570)	(1,088,125)	(1,547,952)	(1,726,281)	(1,746,295)
Total Governmental Activities	12,646,919	12,805,133	11,205,210	11,049,370	12,497,437	14,152,375	15,004,115	14,563,538	14,709,549	15,265,950
Business-Type Activities										
Unrestricted Investment Earnings	107,976	98,787	60,759	27,468	20,483	18,141	16,742	12,948	11,638	12,500
Special Items:										
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	(21,000)	-	-	-	-	-	-
Extraordinary Item-Loss to Early Retire Debt	-	-	-	-	-	-	-	-	-	-
Debt Reduction Transfer	-	-	85,000	-	-	-	-	-	-	-
Transfers-Internal Activities	1,144,548	1,062,256	1,156,590	1,347,362	1,080,151	1,227,570	1,088,125	1,547,952	1,726,281	1,746,295
Total Business-Type Activities	1,252,524	1,161,043	1,302,349	1,353,830	1,100,634	1,245,711	1,104,867	1,560,900	1,737,919	1,758,795
Total Primary Government	\$ 13,899,443	\$ 13,966,176	\$ 12,507,559	\$ 12,403,200	\$ 13,598,071	\$ 15,398,086	\$ 16,108,982	\$ 16,124,438	\$ 16,447,468	\$ 17,024,745
Changes in Net Position										
Governmental Activities	\$ 232,365	\$ (2,044,292)	\$ (2,614,284)	\$ (3,222,663)	\$ (409,882)	\$ (885,155)	\$ (61,112)	\$ (2,278,829)	\$ 2,097,147	\$ (3,247,407)
Business-Type Activities	328,692	87,379	(155,418)	(216,112)	(92,166)	276,046	162,961	461,985	718,152	770,082
Total Primary Government	\$ 561,057	\$ (1,956,913)	\$ (2,769,702)	\$ (3,438,775)	\$ (502,048)	\$ (609,109)	\$ 101,849	\$ (1,816,844)	\$ 2,815,299	\$ (2,477,325)
Other Changes in Net Position										
Governmental Activities:										
Prior-Year Adjustments	\$ -	\$ -	\$ (66,976)	\$ (881,193)	\$ 33,217	\$ (95,999)	\$ -	\$ -	\$ (25,551,459)	\$ (55,368,000)
Fund Reclassification	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	-	-	(66,976)	(881,193)	33,217	(95,999)	-	-	(25,551,459)	(55,368,000)
Business-Type Activities:										
Prior-Year Adjustments	(11,195)	-	(21,652)	-	-	-	-	-	-	-
Fund Reclassification	-	-	-	-	-	-	-	-	-	-
Change in Reporting Period	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	(11,195)	-	(21,652)	-	-	-	-	-	-	-
Total Primary Government	\$ (11,195)	\$ -	\$ (88,628)	\$ (881,193)	\$ 33,217	\$ (95,999)	\$ -	\$ -	\$ (25,551,459)	\$ (55,368,000)

Notes: In fiscal year 2012 the sales tax increased from 6.00% 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 "transfers-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).

Fund Balances, Governmental Funds

Last Ten Fiscal Years
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved/Nonspendable, Restricted,										
Committed or Assigned	\$ 2,326,082	\$ 2,052,521	\$ 1,503,851	\$ 696,149	\$ 451,637	\$ 233,632	\$ 628,429	\$ 686,017	\$ 603,309	\$ 384,683
Unreserved/Unassigned	(994,314)	(1,149,231)	(2,303,429)	(1,678,971)	(1,748,946)	(1,146,053)	(1,217,051)	(727,209)	(793,158)	(998,872)
Total General Fund	\$ 1,331,768	\$ 903,290	\$ (799,578)	\$ (982,822)	\$ (1,297,309)	\$ (912,421)	\$ (588,622)	\$ (41,192)	\$ (189,849)	\$ (614,189)
All Other Governmental Funds										
Reserved/Nonspendable, Restricted,										
Committed or Assigned	\$ 1,374,180	\$ 1,711,007	\$ 1,647,404	\$ 1,728,125	\$ 2,691,530	\$ 2,608,751	\$ 2,592,926	\$ 2,146,103	\$ 2,307,993	\$ 2,466,765
Unreserved/Unassigned										
Transportation Fund	189,630	160,745	89,998	94,074	-	-	-	-	-	-
Special Revenue Funds	539,357	502,679	247,763	352,525	(1,823)	(9)	-	-	29	-
Capital Projects Funds	(171,645)	(156,937)	181,139	229,037	(718)	(718)	(718)	(718)	(718)	(718)
Permanent Funds	-	-	-	-	(3,991)	(4,714)	(5,812)	(7,070)	(8,042)	(7,959)
Total All Other Governmental Fund:	\$ 1,931,522	\$ 2,217,494	\$ 2,166,304	\$ 2,403,761	\$ 2,684,998	\$ 2,603,310	\$ 2,586,396	\$ 2,138,315	\$ 2,299,262	\$ 2,458,088

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 12,742,807	\$ 13,014,886	\$ 11,416,766	\$ 11,594,568	\$ 12,602,015	\$ 14,712,566	\$ 15,395,003	\$ 15,222,023	\$ 15,714,900	\$ 16,164,452
Assessments	22,841	21,457	28,129	27,268	28,444	-	-	-	-	-
Licenses, Permits, and Fees	531,636	550,025	546,871	611,535	601,767	657,446	617,132	692,028	680,820	733,939
Tobacco Settlement	113,691	141,347	153,819	128,977	121,422	123,799	123,745	197,138	118,988	120,448
Federal Grants and Aid	4,405,160	4,717,846	6,017,660	6,926,397	7,241,824	6,490,516	6,760,196	7,106,897	7,813,232	7,957,998
Lottery Tickets	279,000	283,000	283,000	285,500	289,300	310,000	312,100	319,500	319,700	335,387
Charges for Services	101,270	100,143	101,500	98,617	98,843	107,327	103,622	107,970	100,465	109,130
Fines, Forfeits, and Rents	37,183	73,444	32,841	86,520	142,355	452,358	74,552	97,815	20,821	35,491
Casino Gaming Payments	430,476	411,410	377,805	384,248	359,582	344,645	296,396	279,873	267,986	265,907
Investment Earnings	165,902	132,490	43,287	27,841	18,626	14,386	3,042	26,121	17,857	24,484
Miscellaneous	658,074	693,292	790,010	704,145	712,466	704,405	804,558	853,389	1,108,994	1,068,575
Total Revenues	19,488,040	20,139,340	19,791,688	20,875,616	22,216,644	23,917,448	24,490,346	24,902,754	26,163,763	26,815,811
Expenditures										
Legislative	97,383	104,160	102,088	98,336	99,989	103,512	109,635	116,344	120,879	124,797
General Government	1,722,376	1,626,024	1,707,309	1,437,645	1,502,016	1,876,249	1,996,036	1,952,284	1,943,795	2,307,262
Regulation and Protection	699,927	735,875	750,473	734,718	778,567	784,002	883,063	858,450	1,165,741	869,166
Conservation and Development	428,251	442,519	510,887	504,250	527,165	662,823	668,303	945,552	1,054,591	1,003,171
Health and Hospital	1,990,506	2,154,248	2,222,497	2,215,141	2,271,075	2,374,693	2,472,142	2,488,749	2,499,833	2,535,805
Transportation	1,010,056	1,190,650	1,268,269	1,440,072	1,441,006	1,534,797	1,508,262	1,482,632	1,643,229	1,680,900
Human Services	4,791,635	5,390,379	6,059,858	6,175,132	6,578,719	6,967,044	7,213,996	7,835,677	7,762,916	8,345,715
Education, Libraries, and Museums	3,982,868	6,307,070	4,401,423	4,379,875	4,255,644	4,185,168	4,226,319	4,509,914	5,041,968	4,845,487
Corrections	1,829,048	1,949,342	2,010,977	1,903,466	1,920,179	1,939,091	1,958,289	2,030,842	2,069,663	2,086,630
Judicial	692,392	754,223	775,711	752,290	824,089	858,339	893,276	956,164	998,193	1,030,324
Capital Projects	304,964	341,148	438,724	435,288	464,023	547,212	757,001	955,785	934,452	1,202,184
Debt Service:										
Principal	1,231,376	1,153,553	1,166,282	1,238,055	1,273,278	1,473,894	1,515,283	1,323,303	1,421,518	1,636,512
Interest	709,740	810,297	918,633	935,878	945,781	947,102	888,243	893,737	904,935	954,549
Total Expenditures	19,490,522	22,959,488	22,333,131	22,260,146	22,881,531	24,253,926	25,089,848	26,349,433	27,561,713	28,622,502
Revenue Over (Under) Expenditure	(2,482)	(2,820,148)	(2,541,443)	(1,384,530)	(664,887)	(336,478)	(599,502)	(1,446,679)	(1,397,950)	(1,806,691)
Other Financing Sources (Uses) and Special Items										
Bonds Issued	1,253,345	3,688,623	1,863,600	2,617,910	1,619,625	1,554,801	1,802,290	2,761,025	2,820,167	2,961,510
Premiums on Bonds Issued	86,759	69,779	110,560	189,469	74,583	313,715	216,795	390,556	386,856	442,332
Transfers In	818,874	928,444	1,040,765	772,174	922,118	933,231	953,198	1,058,913	1,023,698	1,009,021
Transfers Out	(1,965,914)	(1,993,489)	(2,192,545)	(2,122,891)	(2,005,934)	(2,175,501)	(2,041,323)	(2,606,865)	(2,749,979)	(2,755,316)
Refunding Bonds Issued	527,730	231,085	586,940	344,105	412,870	1,219,815	194,890	1,280,710	709,210	721,635
Payment to Refunded Bond Escrow	(561,269)	(241,560)	(590,397)	(379,015)	(431,550)	(1,388,158)	(224,910)	(1,378,119)	(780,530)	(841,226)
Capital Lease Obligations	117	437	-	-	4,089	6,084	3,556	8,828	3,036	3,034
Special Items:										
Loans to Component Units	-	-	-	-	-	-	-	-	-	-
Payment from Component Units	-	-	13,150	-	-	-	-	31,000	-	-
Other	-	-	-	26,099	-	-	-	-	-	-
Total Other Financing Sources (Uses) and Special Items	159,642	2,683,319	832,073	1,447,851	595,801	463,987	904,496	1,546,048	1,412,458	1,540,990
Net Change in Fund Balances	\$ 157,160	\$ (136,829)	\$ (1,709,370)	\$ 63,321	\$ (69,086)	\$ 127,509	\$ 304,994	\$ 99,369	\$ 14,508	\$ (265,701)

Debt Service as a Percentage of

Noncapital Expenditures	10.48%	8.90%	10.23%	10.36%	10.19%	10.39%	10.40%	8.94%	8.89%	9.05%
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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 in reported above were restated to reflect this for fiscal years prior to 2013.

Personal Income Tax Rates

Calendar Years 2007 through 2016

(Expressed in Thousands)

Annual Income Tax Rates are applied to Taxable Income in excess of the following brackets					
<u>Year</u>	<u>Median Rate</u>	<u>Single/ Married Filing Separate</u>	<u>Married Filing Jointly</u>	<u>Head of Household</u>	<u>Average Effective Rate</u>
2007 ^[1]	5.00%	\$10,000	\$20,000	\$16,000	3.21%
2008 ^[1]	5.00%	\$10,000	\$20,000	\$16,000	3.25%
2009 ^[1]	5.00%	\$10,000	\$20,000	\$16,000	2.45%
2010 ^[1]	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					
For taxable years commencing on or after January 1, 2011: ^[2]					
	5.00%	\$10,000 - \$50,000	\$20,000 - \$100,000	\$16,000 - \$80,000	3.17%
	5.50%	\$50,000 - \$100,000	\$100,000 - \$200,000	\$80,000 - \$160,000	3.17%
	6.00%	\$100,000 - \$200,000	\$200,000 - \$400,000	\$160,000 - \$320,000	3.17%
	6.50%	\$200,000 - \$250,000	\$400,000 - \$500,000	\$320,000 - \$400,000	3.17%
	6.70%	greater than \$250,000	greater than \$500,000	greater than \$400,000	3.17%

Notes:

[1] Taxable income equal to or less than amounts listed this year is taxed at a rate of 3%.

In addition there is a tax on millionaires of 6.5%. The average effective rate equals fiscal year net tax collections divided by prior-year total personal income based on statistics provided by the U. S. Bureau of Economic Analysis.

[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

Source: Department of Revenue Services - Annual Report.

Personal Income Tax Filers and Liability by Income Level,

Calendar Years 2007 and 2014

(Expressed in Thousands)

<u>Income Level</u>	<u>Calendar Year 2007</u>				<u>Calendar Year 2014</u>			
	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$50,000 and under	811,965	53.6%	\$ 354,701,019	5.1%	933,421	50.8%	\$ 332,024,874	3.6%
\$50,001 - \$100,000	391,252	25.8%	1,144,834,938	16.5%	443,730	24.1%	1,262,276,743	13.9%
\$100,001 - \$200,000	216,846	14.3%	1,378,683,663	19.9%	296,656	16.1%	1,880,617,327	20.6%
\$200,001 - \$500,000	68,050	4.5%	971,731,870	14.0%	115,482	6.3%	1,567,401,528	17.2%
\$500,001 - \$2,000,000	22,076	1.5%	968,858,227	14.0%	37,572	2.0%	1,529,016,028	16.8%
\$2,000,000 and up	5,258	0.3%	2,115,938,960	30.5%	10,587	0.7%	2,540,826,642	27.9%
Total	<u>1,515,447</u>	<u>100.0%</u>	<u>\$ 6,934,748,677</u>	<u>100.0%</u>	<u>1,837,448</u>	<u>100.0%</u>	<u>\$ 9,112,163,142</u>	<u>100.0%</u>

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.

Personal Income by Major Component

Last Ten Calendar Years

(Expressed in Thousands)

Description	2007	2008	2009
Income by place of residence (seasonally adjusted)			
Personal income	\$ 204,296,045	\$ 217,101,744	\$ 215,234,464
Average Effective Rate for Personal Income 1/	3.21%	3.25%	2.45%
Derivation of personal income			
Earnings by place of work	143,317,519	152,435,704	153,795,727
Less: Contributions for government social insurance 2/	13,838,601	14,289,494	13,927,476
Employee and self-employed contributions for government social insurance	7,296,183	7,534,646	7,305,130
Employer contributions for government social insurance	6,542,418	6,754,848	6,622,346
Plus: Adjustment for residence 3/	8,898,326	9,737,699	9,198,888
Equals: Net earnings by place of residence	138,377,244	147,883,909	149,067,139
Plus: Dividends, interest, and rent 4/	44,463,066	44,650,263	38,927,922
Plus: Personal current transfer receipts	21,455,735	24,567,572	27,239,403
Components of earnings by place of work:			
Wages and salaries	100,659,186	101,501,573	96,206,697
Supplements to wages and salaries	22,040,661	22,848,690	22,504,357
Employer contributions for employee pension and insurance funds 5/	15,498,243	16,093,842	15,882,011
Employer contributions for government social insurance	6,542,418	6,754,848	6,622,346
Proprietors' income 6/	20,617,672	28,085,441	35,084,673
Farm proprietors' income	54,573	753	(3,767)
Nonfarm proprietors' income	20,563,099	28,084,688	35,088,440

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 US 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 service 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

	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>
\$	222,404,940	\$	229,211,506	\$	233,710,888	\$	230,614,799	\$	239,829,273	\$	246,709,339	\$	252,249,206
	2.56%		2.82%		3.14%		3.24%		3.27%		3.33%		3.24%
	156,297,304		158,317,960		156,192,927		155,343,894		160,754,656		164,941,621		168,342,395
	14,024,791		13,002,376		13,333,705		15,454,178		15,945,148		16,373,303		16,618,130
	7,356,564		6,013,172		6,120,443		8,122,502		8,440,527		8,665,734		8,829,408
	6,668,227		6,989,204		7,213,262		7,331,676		7,504,621		7,707,569		7,788,722
	<u>11,261,423</u>		<u>11,709,612</u>		<u>13,518,623</u>		<u>12,662,206</u>		<u>13,158,832</u>		<u>14,271,664</u>		<u>14,818,234</u>
	153,533,936		157,025,196		156,377,845		152,551,922		157,968,340		162,839,982		166,542,499
	39,824,720		43,030,842		47,804,030		48,198,709		51,244,356		52,179,464		52,952,710
	29,046,284		29,155,468		29,529,013		29,864,168		30,616,577		31,689,893		32,753,997
	97,848,445		101,598,704		104,278,374		105,486,854		109,039,641		112,326,830		114,057,180
	23,042,527		23,624,455		23,667,592		23,852,743		24,205,911		24,744,090		25,181,126
	16,374,300		16,635,251		16,454,330		16,521,067		16,701,290		17,036,521		17,392,404
	6,668,227		6,989,204		7,213,262		7,331,676		7,504,621		7,707,569		7,788,722
	35,406,332		33,094,801		28,246,961		26,004,297		27,509,104		27,870,701		29,104,089
	2,387		4,641		(2,111)		15,905		(12,648)		(9,627)		(8,148)
	35,403,945		33,090,160		28,249,072		25,988,392		27,521,752		27,880,328		29,112,237

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Legal Debt Margin Information

Last Ten Fiscal Years
(Expressed in Thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Estimated General Fund Tax Receipts	\$ 11,250,700	\$ 12,453,200	\$ 12,971,100	\$ 10,927,600	\$ 14,019,100	\$ 14,019,100	\$ 14,334,000	\$ 14,334,000	\$ 15,711,565	\$ 15,519,900
Statutory Multiplier	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Statutory Debt Limit for Debt Incurred	18,001,120	19,925,120	20,753,760	17,484,160	22,430,560	22,430,560	22,934,400	22,934,400	25,138,504	24,831,840
Less: Authorized Bonds, Notes, and Other Obligations Subject to Certain Limitations	13,481,602	14,266,573	14,876,927	15,110,495	15,493,181	15,180,510	18,970,659	18,456,323	21,520,230	21,886,034
Legal Debt Margin	\$ 4,519,518	\$ 5,658,547	\$ 5,876,833	\$ 2,373,665	\$ 6,937,379	\$ 7,250,050	\$ 3,963,741	\$ 4,478,077	\$ 3,618,274	\$ 2,945,806
Legal Debt Margin as a percentage of the debt limit	25.11%	28.40%	28.32%	13.58%	30.93%	32.32%	17.28%	19.53%	14.39%	11.86%
Date Calculation was made	2/1/07	2/1/08	2/1/09	2/1/10	10/1/11	2/1/12	7/1/13	12/15/13	7/1/15	7/1/16

Source: State of Connecticut General Obligation Bonds Offering Statement dated November 2015.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities			
General Obligation Bonds	\$ 10,596,581	\$ 13,092,570	\$ 13,443,525
Transportation Obligation Bonds	2,822,585	2,790,682	2,817,015
Long-Term Notes	-	-	228,160
Capital Leases	56,244	51,748	47,129
Total Governmental Activities	<u>13,475,410</u>	<u>15,935,000</u>	<u>16,535,829</u>
Business-Type Activities			
Revenue Bonds	1,577,723	1,358,084	1,601,797
Total Business-Type Activities	<u>1,577,723</u>	<u>1,358,084</u>	<u>1,601,797</u>
Total Primary Government	<u>\$ 15,053,133</u>	<u>\$ 17,293,084</u>	<u>\$ 18,137,626</u>
Debt as a Percentage of Personal Income	7.37%	7.97%	8.43%
Amount of Debt Per Capita	\$4,268	\$4,877	\$5,092

Notes: Details regarding the State's debt can be found in Note 18 of the financial statements.

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Obligation Bonds	\$ 10,596,581	\$ 13,092,570	\$ 13,443,525
Transportation Obligation Bonds	2,822,585	2,790,682	2,817,015
Debt Service Fund Balance	(676,894)	(683,636)	(679,384)
Net General Obligation Bonded Debt	<u>\$ 12,742,272</u>	<u>\$ 15,199,616</u>	<u>\$ 15,581,156</u>
Net General Obligation Debt as a Percentage of Personal Income	6.24%	7.00%	7.24%
Amount of Net GO Debt Per Capita	\$3,613	\$4,286	\$4,374

Notes: Details regarding the State's debt can be found in Note 18 of the financial statements.

Connecticut

2010	2011	2012	2013	2014	2015	2016
\$ 13,592,708	\$ 13,794,340	\$ 13,964,576	\$ 14,228,228	\$ 15,281,579	\$ 16,402,537	\$ 17,394,622
3,030,485	3,357,595	3,287,340	3,461,875	3,771,260	4,089,540	4,519,690
1,143,955	915,795	747,935	573,365	580,775	520,275	352,585
41,702	42,995	42,759	38,218	37,820	35,368	32,342
<u>17,808,850</u>	<u>18,110,725</u>	<u>18,042,610</u>	<u>18,301,686</u>	<u>19,671,434</u>	<u>21,047,720</u>	<u>22,299,239</u>
<u>1,498,380</u>	<u>1,556,218</u>	<u>1,439,345</u>	<u>1,376,698</u>	<u>1,212,681</u>	<u>1,356,779</u>	<u>1,246,681</u>
<u>1,498,380</u>	<u>1,556,218</u>	<u>1,439,345</u>	<u>1,376,698</u>	<u>1,212,681</u>	<u>1,356,779</u>	<u>1,246,681</u>
<u>\$ 19,307,230</u>	<u>\$ 19,666,943</u>	<u>\$ 19,481,955</u>	<u>\$ 19,678,384</u>	<u>\$ 20,884,115</u>	<u>\$ 22,404,499</u>	<u>\$ 23,545,920</u>
8.68%	8.58%	8.34%	8.53%	8.71%	9.08%	9.33%
\$5,399	\$5,492	\$5,427	\$5,472	\$5,806	\$6,234	\$6,564

2010	2011	2012	2013	2014	2015	2016
\$ 13,592,708	\$ 13,794,340	\$ 13,964,576	\$ 14,228,228	\$ 15,281,579	\$ 16,402,537	\$ 17,394,622
3,030,485	3,357,595	3,287,340	3,461,875	3,771,260	4,089,540	4,519,690
(687,752)	(708,645)	(703,376)	(660,113)	(659,543)	(668,426)	-
<u>\$ 15,935,441</u>	<u>\$ 16,443,290</u>	<u>\$ 16,548,540</u>	<u>\$ 17,029,990</u>	<u>\$ 18,393,296</u>	<u>\$ 19,823,651</u>	<u>\$ 21,914,312</u>
7.17%	7.17%	7.08%	7.38%	7.67%	8.04%	8.69%
\$4,456	\$4,592	\$4,610	\$4,736	\$5,114	\$5,516	\$6,109

Pledged-Revenue Coverage

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
University of Connecticut and Health Center				
Gross Revenues	\$ 1,578,763	\$ 1,577,646	\$ 1,806,256	\$ 1,786,129
Operating Expenses	<u>1,388,753</u>	<u>1,482,749</u>	<u>1,592,289</u>	<u>1,569,966</u>
Net Available Revenues	<u>\$ 190,010</u>	<u>\$ 94,897</u>	<u>\$ 213,967</u>	<u>\$ 216,163</u>
Debt Service:				
Principal	\$ 69,921	\$ 74,846	\$ 76,148	\$ 79,655
Interest	<u>15,901</u>	<u>15,897</u>	<u>52,307</u>	<u>53,523</u>
Total	<u>\$ 85,822</u>	<u>\$ 90,743</u>	<u>\$ 128,455</u>	<u>\$ 133,178</u>
Coverage	2.21	1.05	1.67	1.62
Board of Regents				
Gross Revenues	\$ 580,879	\$ 631,477	\$ 629,832	\$ 669,388
Operating Expenses	<u>529,744</u>	<u>568,197</u>	<u>589,022</u>	<u>599,792</u>
Net Available Revenues	<u>\$ 51,135</u>	<u>\$ 63,280</u>	<u>\$ 40,810</u>	<u>\$ 69,596</u>
Debt Service:				
Principal	\$ 79,813	\$ 18,669	\$ 19,163	\$ 18,976
Interest	-	-	-	-
Total	<u>\$ 79,813</u>	<u>\$ 18,669</u>	<u>\$ 19,163</u>	<u>\$ 18,976</u>
Coverage	0.64	3.39	2.13	3.67
Clean Water				
Gross Revenues	\$ 55,955	\$ 50,557	\$ 52,232	\$ 64,648
Operating Expenses	<u>747</u>	<u>564</u>	<u>465</u>	<u>8,502</u>
Net Available Revenues	<u>\$ 55,208</u>	<u>\$ 49,993</u>	<u>\$ 51,767</u>	<u>\$ 56,146</u>
Debt Service:				
Principal	\$ 62,192	\$ 42,520	\$ 46,897	\$ 53,745
Interest	<u>29,436</u>	<u>22,048</u>	<u>23,635</u>	<u>37,113</u>
Total	<u>\$ 91,628</u>	<u>\$ 64,568</u>	<u>\$ 70,532</u>	<u>\$ 90,858</u>
Coverage	0.60	0.77	0.73	0.62
Bradley Parking Garage				
Gross Revenues	\$ 23,168	\$ 22,984	\$ 20,375	\$ 18,792
Operating Expenses	<u>8,522</u>	<u>8,968</u>	<u>9,039</u>	<u>8,776</u>
Net Available Revenues	<u>\$ 14,646</u>	<u>\$ 14,016</u>	<u>\$ 11,336</u>	<u>\$ 10,016</u>
Debt Service:				
Principal	\$ 2,210	\$ 1,460	\$ 1,550	\$ 1,650
Interest	<u>3,558</u>	<u>3,451</u>	<u>3,437</u>	<u>3,620</u>
Total	<u>\$ 5,768</u>	<u>\$ 4,911</u>	<u>\$ 4,987</u>	<u>\$ 5,270</u>
Coverage	2.54	2.85	2.27	1.90

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,774,037	\$ 1,975,204	\$ 1,814,856	\$ 2,236,397	\$ 2,463,391	\$ 2,465,794
<u>1,673,797</u>	<u>1,669,601</u>	<u>1,738,237</u>	<u>1,915,644</u>	<u>2,015,393</u>	<u>2,134,537</u>
<u>\$ 100,240</u>	<u>\$ 305,603</u>	<u>\$ 76,619</u>	<u>\$ 320,753</u>	<u>\$ 447,998</u>	<u>\$ 331,257</u>
\$ 95,962	\$ 90,400	\$ 61,905	\$ 17,810	\$ 17,764	\$ 105,525
<u>52,730</u>	<u>49,723</u>	<u>52,254</u>	<u>50,069</u>	<u>55,306</u>	<u>68,696</u>
<u>\$ 148,692</u>	<u>\$ 140,123</u>	<u>\$ 114,159</u>	<u>\$ 67,879</u>	<u>\$ 73,070</u>	<u>\$ 174,221</u>
0.67	2.18	0.67	4.73	6.13	1.90
\$ 702,729	\$ 687,772	\$ 722,893	\$ 815,596	\$ 835,169	\$ 1,473,844
<u>588,571</u>	<u>589,972</u>	<u>603,660</u>	<u>651,797</u>	<u>709,352</u>	<u>1,368,422</u>
<u>\$ 114,158</u>	<u>\$ 97,800</u>	<u>\$ 119,233</u>	<u>\$ 163,799</u>	<u>\$ 125,817</u>	<u>\$ 105,422</u>
\$ 32,986	\$ 69,526	\$ 16,211	\$ 18,052	\$ 42,791	\$ 20,247
<u>11,851</u>	<u>11,572</u>	<u>10,300</u>	<u>11,654</u>	<u>14,064</u>	<u>12,158</u>
<u>\$ 44,837</u>	<u>\$ 81,098</u>	<u>\$ 26,511</u>	<u>\$ 29,706</u>	<u>\$ 56,855</u>	<u>\$ 32,405</u>
2.55	1.21	4.50	5.51	2.21	3.25
\$ 59,714	\$ 60,032	\$ 77,527	\$ 56,751	\$ 49,684	\$ 46,135
<u>9,468</u>	<u>11,078</u>	<u>10,971</u>	<u>3,093</u>	<u>1,291</u>	<u>925</u>
<u>\$ 50,246</u>	<u>\$ 48,954</u>	<u>\$ 66,556</u>	<u>\$ 53,658</u>	<u>\$ 48,393</u>	<u>\$ 45,210</u>
\$ 67,310	\$ 70,687	\$ 70,578	\$ 70,603	\$ 70,351	\$ 73,802
<u>32,724</u>	<u>35,226</u>	<u>33,057</u>	<u>32,582</u>	<u>29,717</u>	<u>33,811</u>
<u>\$ 100,034</u>	<u>\$ 105,913</u>	<u>\$ 103,635</u>	<u>\$ 103,185</u>	<u>\$ 100,068</u>	<u>\$ 107,613</u>
0.50	0.46	0.64	0.52	0.48	0.42
\$ 21,076	\$ 21,723	\$ 23,029	\$ 24,640	\$ 25,578	\$ 26,702
<u>8,609</u>	<u>8,287</u>	<u>9,140</u>	<u>8,828</u>	<u>9,254</u>	<u>20,918</u>
<u>\$ 12,467</u>	<u>\$ 13,436</u>	<u>\$ 13,889</u>	<u>\$ 15,812</u>	<u>\$ 16,324</u>	<u>\$ 5,784</u>
\$ 1,755	\$ 1,865	\$ 1,990	\$ 2,120	\$ 2,265	\$ 2,415
<u>3,378</u>	<u>3,172</u>	<u>3,218</u>	<u>2,987</u>	<u>3,112</u>	<u>2,442</u>
<u>\$ 5,133</u>	<u>\$ 5,037</u>	<u>\$ 5,208</u>	<u>\$ 5,107</u>	<u>\$ 5,377</u>	<u>\$ 4,857</u>
2.43	2.67	2.67	3.10	3.04	1.19

Continued next page

Pledged-Revenue Coverage (Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Drinking Water				
Gross Revenues	\$ 22,664	\$ 17,164	\$ 10,714	\$ 14,714
Operating Expenses	<u>2,570</u>	<u>2,576</u>	<u>4,184</u>	<u>7,068</u>
Net Available Revenues	<u>\$ 20,094</u>	<u>\$ 14,588</u>	<u>\$ 6,530</u>	<u>\$ 7,646</u>
Debt Service:				
Principal	\$ 3,209	\$ 2,660	\$ 2,718	\$ 3,964
Interest	<u>2,081</u>	<u>1,633</u>	<u>1,794</u>	<u>2,405</u>
Total	<u>\$ 5,290</u>	<u>\$ 4,293</u>	<u>\$ 4,512</u>	<u>\$ 6,369</u>
Coverage	3.80	3.40	1.45	1.20
Rate Reduction Bonds¹				
Gross Revenues	\$ 32,417	\$ 35,261	\$ 18,319	\$ -
Operating Expenses	<u>310</u>	<u>305</u>	<u>747</u>	<u>-</u>
Net Available Revenues	<u>\$ 32,107</u>	<u>\$ 34,956</u>	<u>\$ 17,572</u>	<u>\$ -</u>
Debt Service:				
Principal	\$ 27,155	\$ 28,450	\$ 110,990	\$ -
Interest	<u>7,733</u>	<u>6,436</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 34,888</u>	<u>\$ 34,886</u>	<u>\$ 110,990</u>	<u>\$ -</u>
Coverage	0.92	1.00	0.16	-

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.

¹ Second Injury bonds were liquidated in fiscal year 2005.

Rate Reduction Bonds were issued in fiscal year 2005 and retired in fiscal year 2010.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 17,935	\$ 9,706	\$ 12,786	\$ 29,427	\$ 16,134	\$ 11,882
8,802	5,032	5,601	8,207	7,180	8,257
\$ 9,133	\$ 4,674	\$ 7,185	\$ 21,220	\$ 8,954	\$ 3,625
\$ 4,055	\$ 4,643	\$ 4,952	\$ 5,727	\$ 5,544	\$ 7,343
2,141	2,391	2,163	1,706	1,490	3,199
\$ 6,196	\$ 7,034	\$ 7,115	\$ 7,433	\$ 7,034	\$ 10,542
1.47	0.66	1.01	2.85	1.27	0.34
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-

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
2007	301,231	0.96%	3,527	0.26%
2008	304,094	0.95%	3,546	0.54%
2009	306,772	0.88%	3,562	0.45%
2010	309,330	0.83%	3,576	0.39%
2011	311,592	0.73%	3,581	0.14%
2012	314,168	0.83%	3,590	0.25%
2013	316,395	0.71%	3,596	0.17%
2014	318,857	0.78%	3,597	0.03%
2015	322,273	1.07%	3,594	-0.08%
2016	324,119	0.57%	3,587	-0.19%

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
2007	153,283	146,140	7,143	4.7%
2008	154,390	145,891	8,499	5.5%
2009	154,926	140,196	14,729	9.5%
2010	153,741	139,119	14,623	9.5%
2011	153,421	139,334	14,087	9.2%
2012	155,063	142,974	12,088	7.8%
2013	155,835	144,058	11,777	7.6%
2014	155,700	146,247	9,453	6.1%
2015	157,037	148,739	8,299	5.3%
2016	160,135	151,990	8,144	5.1%

Sources: U.S. Department of Labor

Personal Income		Per Capita Personal Income		% Above the United States
United States	Connecticut	United States	Connecticut	
\$ 11,867,043,000	\$ 204,296,045	\$39,395	\$57,923	47.0%
\$ 12,002,122,000	\$ 217,101,744	\$39,468	\$61,224	55.1%
\$ 12,083,900,000	\$ 215,234,464	\$39,390	\$60,425	53.4%
\$ 12,590,671,000	\$ 222,404,940	\$40,703	\$62,194	52.8%
\$ 13,017,400,000	\$ 229,211,506	\$41,777	\$64,008	53.2%
\$ 13,355,900,000	\$ 233,710,888	\$42,512	\$65,101	53.1%
\$ 14,138,400,000	\$ 230,614,799	\$44,686	\$64,131	43.5%
\$ 14,792,000,000	\$ 239,829,273	\$46,391	\$60,906	31.3%
\$ 15,356,000,000	\$ 246,709,339	\$47,649	\$68,645	44.1%
\$ 15,943,900,000	\$ 252,249,000	\$49,192	\$70,323	43.0%

Connecticut Labor Force			
Civilian Labor Force	Employed	Unemployed	Unemployment Rate
1,876	1,795	81	4.3%
1,897	1,795	102	5.4%
1,879	1,731	147	7.8%
1,887	1,721	166	8.8%
1,886	1,715	166	8.8%
1,898	1,728	170	9.0%
1,851	1,702	149	8.0%
1,879	1,753	126	6.7%
1,918	1,809	109	5.7%
1,923	1,809	114	5.9%

Demographic and Economic Statistics

Top Ten Non-Governmental Employers

Current Year and Ten Years Ago

<u>NAME</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>	<u>Employees in CT</u>	<u>Percentage of Total CT Employment</u>	<u>Rank</u>
United Technologies Corp. UTC	20,000	1.1%	1 (1)	26,490	1.5%	1
Stop & Shop Co. LLC	13,574	0.8%	2 (2)	14,049	0.8%	2
Foxwoods Resort Casino	10,500	0.6%	3	11,900	0.7%	6
Aetna Inc.	10,001	0.6%	4	11,175	0.6%	5
Yale University & Health Sys	10,000	0.6%	5	12,100	0.7%	4
Immucor (medical supply)	7,200	0.4%	6		0.0%	
Rainbow (apparel)	7,000	0.4%	7		0.0%	
General Dynamics/Electric Boat	6,100	0.3%	8	7,500	0.4%	9
Mohegan Sun Casino	6,000	0.3%	9	10,000	0.6%	7
Eversource Energy	5,000	0.3%	10	4,148	0.2%	
Hartford Financial Services	5,000	0.3%	10	13,000	0.7%	3
Total	100,375	5.7%		110,362	6.2%	

Sources: 2007 -Hartford Business Journal (HBJ), 2016 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 Employees by Function

Last Nine Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Primary Government										
Legislative	695	701	713	706	705	716	705	685	722	715
General Government	3,783	3,897	3,811	3,630	3,584	3,453	3,107	3,324	3,360	3,289
Regulation and Protection	4,324	4,384	4,271	4,088	4,099	3,999	3,945	4,064	4,126	4,074
Conservation and Development	1,306	1,356	1,388	1,293	1,296	1,393	1,324	1,303	1,309	1,269
Health and Hospital	7,841	7,984	4,138	3,925	3,844	3,862	3,857	3,822	3,792	3,814
Transportation	3,198	3,256	3,139	3,070	3,055	3,018	2,986	3,027	3,092	3,179
Human Services	1,969	2,046	1,982	5,175	5,133	5,017	4,618	4,841	4,898	4,690
Education, Libraries, and Museums	19,619	20,219	20,126	20,225	20,777	21,692	21,203	20,937	21,263	19,392
Corrections	9,927	10,116	10,034	9,539	9,243	9,151	8,628	8,588	8,721	8,750
Judicial	4,457	4,628	4,567	4,601	4,626	4,744	4,605	4,597	4,639	4,548
Total Number of Employees - Primary Government	<u>57,119</u>	<u>58,587</u>	<u>54,169</u>	<u>56,252</u>	<u>56,362</u>	<u>57,045</u>	<u>54,978</u>	<u>55,188</u>	<u>55,922</u>	<u>53,720</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.

Operating Indicators by Function

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Legislative</u>										
Office of Legislative Management										
Number of Public and Special Acts	206	256	200	270	217	273	221	311	258	277
Number of Amendments Drafted	2,040	2,977	2,853	3,889	2,717	3,043	2,458	2,756	2,190	3,043
<u>General Government</u>										
Office of the State Treasurer										
% of Payments made Electronically	56.2%	64.2%	66.1%	69.0%	68.8%	63.4%	74.6%	69.6%	75.0%	81.3%
Number of Unclaimed Property Claims Paid	22,732	20,930	16,787	14,481	17,360	17,933	18,381	17,852	20,897	17,888
Department of Revenue Services										
% of Income Tax Returns Filed Electronically	67.0%	70.2%	72.4%	70.5%	75.0%	78.0%	81.0%	82.0%	84.0%	85.0%
Revenue Collected per \$1 of Agency Expense	\$202	\$207	\$207	\$178	\$203	\$250	\$270	\$256	\$255	\$264
Department of Construction Services										
Number of Construction Contracts Awarded	34	28	13	20	28	22	26	n/a	13	26
State Floor Space Owned and Leased	8,621,174	8,713,211	8,770,901	8,651,460	7,465,869	7,129,801	7,895,255	n/a	9,282,711	8,999,852
<u>Regulation and Protection</u>										
Department of Emergency Services & Public Protection										
Number of Background Checks - Firearms	35,159	64,766	29,693	44,632	37,194	33,064	38,304	47,745	61,107	49,547
Number of Fingerprint Checks for CT/Pd's	122,193	258,111	178,379	165,603	211,163	138,044	110,452	98,216	100,145	88,354
Department of Motor Vehicles										
Number of Registered Motor Vehicles	3,040,000	3,015,867	3,016,521	3,002,772	3,007,638	2,974,801	2,973,691	2,272,537	3,026,823	3,030,510
Number of Licensed Drivers	2,400,000	2,848,602	2,883,324	2,916,143	2,934,576	2,986,267	3,029,328	2,534,090	2,542,588	2,566,673
Department of Labor										
Number of Initial Unemployment Claims	222,553	215,404	261,400	326,179	299,563	335,166	275,782	265,700	245,632	153,040
Persons Using Employment Service (1)	116,100	140,922	170,701	211,613	228,283	228,203	218,879	218,879	191,372	161,637
<u>Conservation and Development</u>										
Department of Energy & Environmental Protection										
Nitrogen Discharged into Long Island Sound (2)	10,940	10,558	9,100	8,400	7,670	7,670	7,500	7,500	7,340	7,400
Attained Goal of Open Space (3)	77.8%	78.0%	78.0%	79.0%	81.0%	79.0%	81.0%	81.0%	84.0%	81.0%
<u>Health and Hospitals</u>										
Department of Public Health										
Number of Tuberculosis Cases Served (severed includes both active and latent cases)	3,238	3,498	2,770	3,124	3,006	2,103	1,988	1,515	1,236	1,133
Number of Licenses Applications - New	12,750	15,439	12,595	12,964	14,899	14,510	13,976	17,116	17,716	18,015
Number of Licenses Applications - Renewal	133,887	140,973	123,014	149,818	151,205	149,370	150,663	153,997	153,328	155,251
Department of Developmental Services										
Number of Qualified Providers	161	184	176	188	204	233	239	248	250	249
Number of Persons Served in Various Programs	20,256	15,148	15,270	15,390	15,495	15,640	15,858	16,037	16,274	16,328
<u>Human Services</u>										
Department of Social Services										
Number of Medicaid Eligible Clients	399,635	392,179	409,960	434,480	465,667	556,558	581,174	610,527	656,252	737,490
Temp Family Assistance Average Caseload	22,556	21,124	20,203	20,862	20,862	20,517	19,223	18,506	18,256	17,538
<u>Education</u>										
Department of Higher Education										
Number of Degrees Conferred - Statewide	35,694	36,045	36,634	38,047	38,912	40,218	n/a	n/a	n/a	n/a
Enrollment - Statewide	176,542	178,855	184,544	191,134	193,212	200,637	n/a	n/a	n/a	n/a

Operating Indicators by Function

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Transportation</u>										
Department of Transportation										
Active Construction Projects	159	175	212	281	257	188	102	117	268	279
Miles of Road Resurfaced	191	218	265	215	282	258	340	326	355	445
Estimated Billions of Persons Using Roadways	4.228	4.265	4.302	4.399	4.313	4.353	4.157	4.185	4.214	4.882
<u>Corrections</u>										
Department of Corrections										
Incarcerated Population	18,352	18,970	19,482	19,204	18,431	17,631	16,591	16,674	16,551	16,023
Direct Daily Inmate Expenditures	\$84	\$86	\$90	\$92	\$90	\$95	\$95	\$95	\$100	\$105
<u>Judicial</u>										
Judicial Branch										
Number of Superior Court Cases Filed	542,655	547,354	570,497	563,572	567,607	513,511	468,981	443,135	443,135	432,803
Average Number of Supervised Probationers	58,117	57,597	56,500	56,555	57,778	53,345	50,699	48,779	48,779	43,510

(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

Capital Assets by Function

Last Ten Fiscal Years

		2007	2008	2009*	2010
Legislative	Total \$	168,585 \$	170,185 \$	168,584 \$	168,349
Buildings		156,802	158,449	156,585	156,585
Equipment		11,783	11,736	11,999	11,764
General Government	Total \$	940,122 \$	1,060,383 \$	1,154,135 \$	1,218,961
Land		156,894	158,454	160,947	180,404
Construction in Progress		330,272	386,317	379,176	331,767
Buildings		201,892	206,930	244,017	297,601
Improvements Other than Buildings		51,319	51,319	54,768	54,763
Equipment		199,745	257,363	315,227	354,426
Regulation and Protection	Total \$	393,026 \$	392,819 \$	376,832 \$	395,028
Land		9,930	9,980	8,823	8,837
Buildings		210,729	201,412	201,776	209,095
Improvements Other than Buildings		16,107	26,580	17,076	17,181
Equipment		156,260	154,847	149,157	159,915
Conservation and Development	Total \$	441,614 \$	460,286 \$	475,504 \$	571,685
Land		221,438	233,759	248,585	345,121
Buildings		106,053	107,762	104,476	104,548
Improvements Other than Buildings		62,957	63,699	63,340	65,650
Equipment		51,166	55,066	59,103	56,366
Health and Hospital	Total \$	301,903 \$	291,844 \$	300,135 \$	304,608
Land		7,587	6,892	6,913	6,911
Buildings		234,072	224,808	222,123	224,682
Improvements Other than Buildings		17,013	16,767	26,061	27,094
Equipment		43,231	43,377	45,038	45,921
Transportation	Total \$	14,333,229 \$	15,043,055 \$	15,637,149 \$	16,256,933
Land		925,204	958,763	942,688	993,751
Construction in Progress		1,629,903	956,131	973,326	1,387,610
Buildings		467,737	479,255	466,452	481,206
Improvements Other than Buildings		246,088	246,664	247,521	246,075
Equipment		620,978	772,476	740,699	592,510
Infrastructure		10,443,319	11,629,766	12,266,463	12,555,781
Human Services	Total \$	11,478 \$	13,807 \$	13,809 \$	14,441
Improvements Other than Buildings		-	-	-	-
Equipment		11,478	13,807	13,809	14,441
Education, Libraries, and Museums	Total \$	458,586 \$	517,232 \$	570,910 \$	773,831
Land		1,027	1,027	1,027	1,027
Buildings		294,811	350,948	406,118	608,276
Improvements Other than Buildings		8,060	8,079	8,200	8,211
Equipment		154,688	157,178	155,565	156,317
Corrections	Total \$	1,059,023 \$	964,442 \$	978,850 \$	975,787
Land		20,388	19,351	10,351	10,351
Buildings		812,869	721,522	737,481	740,705
Improvements Other than Buildings		51,331	48,863	51,437	50,793
Equipment		174,435	174,706	179,581	173,938
Judicial	Total \$	389,968 \$	394,221 \$	439,743 \$	454,167
Land		11,616	11,616	14,616	15,648
Buildings		303,080	303,080	343,153	351,821
Improvements Other than Buildings		1,755	1,755	1,767	1,657
Equipment		73,517	77,770	80,207	85,041
Total Capital Assets at Historical Cost	\$	18,497,534 \$	19,308,274 \$	20,115,651 \$	21,133,790
Total Accumulated Depreciation	\$	(8,545,550) \$	(9,280,140) \$	(9,921,291) \$	(10,563,938)
Governmental Activities, Capital Assets, Net	\$	9,951,984 \$	10,028,134 \$	10,194,360 \$	10,569,852

* Restated for comparison purposes.

2011	2012	2013	2014	2015	2016
\$ 171,245	\$ 170,329	\$ 170,552	\$ 171,283	\$ 171,286	\$ 175,558
156,805	156,805	156,805	157,087	157,087	159,076
14,440	13,524	13,747	14,195	14,199	16,482
\$ 1,189,407	\$ 1,017,372	\$ 1,259,818	\$ 1,254,165	\$ 1,263,226	\$ 1,201,502
191,400	193,063	189,192	190,216	192,744	193,582
296,604	144,159	308,902	233,319	188,534	150,531
297,821	297,896	321,232	382,840	392,392	392,608
54,741	54,741	53,638	53,937	54,016	54,701
348,841	327,513	386,854	384,854	435,540	410,080
\$ 402,401	\$ 452,633	\$ 481,959	\$ 557,330	\$ 582,024	\$ 621,075
8,837	8,775	8,775	8,775	9,227	9,227
210,755	236,968	256,762	320,719	326,624	326,690
19,837	19,846	19,846	24,430	27,496	27,977
162,972	187,044	196,576	203,406	218,677	257,181
\$ 590,538	\$ 603,652	\$ 614,615	\$ 630,730	\$ 652,381	\$ 668,268
355,989	366,999	374,267	381,167	389,414	402,633
107,653	107,146	107,640	108,731	121,393	121,493
69,317	70,753	72,907	75,717	74,992	75,717
57,579	58,754	59,801	65,114	66,582	68,425
\$ 311,328	\$ 298,566	\$ 357,353	\$ 358,066	\$ 365,287	\$ 315,655
6,911	6,767	6,561	6,752	6,707	6,697
239,079	227,432	283,644	284,411	289,390	239,172
18,757	16,988	18,778	18,800	19,013	19,530
46,581	47,382	48,370	48,103	50,177	50,256
\$ 17,338,101	\$ 18,343,934	\$ 19,395,070	\$ 20,444,797	\$ 21,579,682	\$ 22,745,027
1,004,641	1,036,517	1,060,109	1,072,625	1,083,450	1,106,967
2,043,549	2,441,123	2,690,602	3,231,739	3,476,307	4,393,784
543,331	560,152	576,030	746,765	1,025,616	917,872
246,874	254,243	260,263	211,743	228,346	233,234
843,984	1,028,099	1,155,032	1,357,277	1,458,601	1,419,842
12,655,722	13,023,800	13,653,034	13,824,648	14,307,362	14,673,328
\$ 14,142	\$ 13,926	\$ 16,843	\$ 16,841	\$ 17,285	\$ 17,038
667	667	667	667	667	672
13,475	13,259	16,176	16,173	16,618	16,366
\$ 776,143	\$ 779,508	\$ 977,529	\$ 1,064,712	\$ 1,052,735	\$ 1,082,196
1,027	1,027	1,027	1,027	1,027	1,027
608,276	608,276	802,713	890,490	864,538	990,879
8,217	8,217	8,217	209	209	220
158,623	161,988	165,572	172,986	186,961	90,070
\$ 1,003,179	\$ 1,010,491	\$ 1,007,522	\$ 1,012,802	\$ 1,031,119	\$ 1,039,570
10,351	10,305	10,305	10,322	10,322	10,322
760,336	756,975	759,122	762,754	768,283	775,294
51,140	51,481	51,515	52,162	52,625	48,991
181,352	191,730	186,580	187,563	199,889	204,963
\$ 448,899	\$ 450,962	\$ 456,279	\$ 462,672	\$ 462,125	\$ 505,586
15,648	15,648	15,648	15,648	15,601	17,181
351,830	351,922	351,922	351,922	351,219	398,216
1,740	3,242	4,675	5,369	5,663	5,663
79,681	80,150	84,034	89,733	89,642	84,526
\$ 22,245,383	\$ 23,141,373	\$ 24,737,540	\$ 25,973,398	\$ 27,177,150	\$ 28,371,475
\$ (11,321,085)	\$ (12,175,489)	\$ (12,750,730)	\$ (13,433,773)	\$ (14,145,909)	\$ (14,665,574)
\$ 10,924,298	\$ 10,965,884	\$ 11,986,810	\$ 12,539,625	\$ 13,031,241	\$ 13,705,901

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