
STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



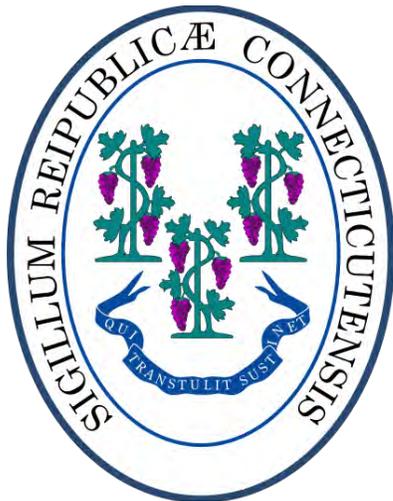
KEVIN LEMBO
COMPTROLLER

DECEMBER 2018

Connecticut

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2018



Dannel Malloy
GOVERNOR

Kevin Lembo
STATE COMPTROLLER

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

<http://www.osc.state.ct.us/2018cafr/>

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

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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

January 15, 2019

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, 2018. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

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

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

The General Fund budget is formulated, implemented, and modified during the fiscal year using the statutory or budgetary form of accounting that incorporates certain revenue and expenditure accruals that are not consistent in every instance with the GAAP method of reporting used in this publication. For Fiscal Year 2018 General Fund results on the GAAP basis of accounting please refer to the Governmental Fund Financial Statements section of this report beginning on page 42. The differences between the statutory basis of accounting and the GAAP presentation in the CAFR are discussed in more detail beginning on page 116 of this report. This discussion includes a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2018.

The General Fund ended Fiscal Year 2018 with a deficit of \$482,860,543 on the statutory basis of accounting. A transfer from the Budget Reserve Fund (BRF) eliminated the shortfall, returning the unappropriated balance of the fund to zero. The Transportation Fund had an operating surplus of \$148,105,872, which left a positive fund balance of \$245,720,926 at the close of Fiscal Year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the BRF at year-end. The reserves at the beginning of Fiscal Year 2018 were \$212,886,689. However, a new revenue volatility provision, contained in Public Act 17-2, June Special Session, required that any estimated and final income tax payments above a threshold of \$3.15 billion be

transferred to the BRF. After the transfer to the General Fund was made to close the FY 2018 deficit, the BRF had a balance of \$1,201,359,429 as of June 30, 2018.

An additional transfer of \$16.1 million from the BRF to the Retired Teachers' Health Service Fund, as required by Public Act 18-81, brought the BRF balance to \$1,185,259,429, or approximately 6.2 percent of FY 2019 General Fund budgeted appropriations. While this represents significant progress, my office has traditionally recommended that the BRF reach a level of 15 percent of General Fund expenditures to protect against a future economic downturn.

A complete discussion of Fiscal Year 2018 budget and fiscal trends is contained in the Management Discussion and Analysis (MDA) section of this report.

Major Legislative Initiatives

During the 2017 and 2018 legislative sessions several fiscal caps were enacted or updated in order to control spending, limit borrowing, reduce revenue volatility, and strengthen the balance in the BRF.

Spending Cap: The state's spending cap limits the amount of appropriations the Connecticut General Assembly can authorize in each fiscal year. The cap limits growth in general budget expenditures to the greater of the average five-year increase in personal income or the increase in inflation. Recent legislation clarified various definitions for the purposes of implementing the updated spending cap.

Bond Caps: The bond cap limits the amount of General Obligation (GO) and credit revenue bond issuances, allocations, and allotments with certain exclusions. Beginning in FY 2019, the cap imposes a \$1.9 billion aggregate limit on the amount of GO bonds or notes and credit revenue bonds the State Treasurer may issue in any fiscal year. The cap also puts a limit on the amount of bond allocations that can be approved by the State Bond Commission in each calendar year. For calendar year 2018, the bond allocation cap is \$2.036 billion. Finally, the cap prohibits the Governor from approving bond allotments (i.e., expenditures) that would result in the issuance of more than \$1.9 billion in GO bonds or notes or credit revenue bonds in any fiscal year. The bond caps are adjusted annually for inflation.

Revenue Cap: Public Act 17-2, June Special Session also included a revenue cap that limits General Fund and Special Transportation Fund (STF) appropriations to a percentage of revenue in those funds. The appropriations limit will begin at 99.50 percent of estimated revenue in FY 2020 and will be reduced by 25 basis points per year until the revenue cap reaches 98.00 percent in FY 2026.

Revenue Volatility Cap: As noted earlier, the revenue volatility cap directs any estimated and final payments above \$3.15 billion to the BRF. Public Act 18-81 added a provision that requires the volatility cap threshold to be adjusted annually for personal income growth and allows the legislature to amend the threshold under certain circumstances by a supermajority vote. A new tax category was also added due to a separate legislative

change. Therefore, for FY 2019, any estimated and final income tax receipts and Pass-Through Entity (PET) payments above a threshold of \$3.197 billion are required to be transferred to the BRF.

Public Act No. 18-41 “An Act Concerning Prescription Drug Costs” This act imposes additional disclosure and reporting requirements on pharmacy benefits managers, health carriers, and pharmaceutical manufacturers when drug prices rise significantly. Specifically, PA 18-41 requires that pharmacy benefit managers report information on prescription drug rebates to the insurance commissioner. In addition, health carriers are required to report information on outpatient prescription drug costs and expenses. The law also requires: 1) the Office of Health Strategy (OHS), in consultation with the State Comptroller and the social services and public health commissioners, to annually identify up to 10 outpatient prescription drugs provided at substantial state cost, 2) drug manufacturers to report to OHS information on those drugs, and 3) health carriers to certify that they account for all rebates in plan premiums.

Public Act 18-178 “An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation and Other Purposes” A provision within this larger bond act earmarks \$50 million in existing Manufacturing Assistance Act (MAA) bonds for transfer to the Connecticut Department of Labor (DOL) to fund a new Apprenticeship Connecticut initiative that develops workforce pipeline programs for training qualified entry-level workers for jobs with manufacturers and employers in sectors experiencing workforce shortages. The act requires the program to include, where practicable, outreach to underserved populations, including youth, to successfully complete the program and support the state's economic development.

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 3,572,665 according to the July 1, 2018 estimate of the U.S. Census Bureau. Five large cities, Bridgeport, New Haven, Hartford (the State Capitol since 1875), Stamford and Waterbury, have populations in excess of 100,000 residents.

State Government

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

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

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

The Reporting Entity

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

Internal Controls

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

Budgetary Controls

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

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

The Spending Cap

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

The spending cap limits growth in general budget expenditures to the average five-year increase in personal income or the increase in inflation, whichever is greater. Public Act 17-2, June Special Session clarified certain definitions included in the spending cap language. For example, increase in personal income is defined as the compound annual growth rate of personal income in the state over the preceding five calendar years. Increase in inflation is defined as the increase in the Consumer Price Index for urban consumers, all items less food and energy, during the preceding calendar year.

Certain types of expenditures are excluded from the spending cap. These include debt service, deposits to the BRF and expenditures from federal funds. In addition, federally-mandated or court ordered expenditures and expenditures for federal programs for which the state receives matching funds are excluded for the first fiscal year in which they are authorized. Afterwards, they must be considered general budget expenditures for purposes of determining the following year's limit. Finally, payment of unfunded liability for certain state retirement plans (except for

teachers) is exempt through FY 2022. Payment of unfunded liability for the Teachers' Retirement System is exempt from the spending cap through FY 2026.

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

During FY 2018 Connecticut's economy experienced moderate growth, with some notable improvements toward the end of the year. Nevertheless, Connecticut continues to lag behind the nation's economic recovery in several key areas.

According to state Department of Labor (DOL) statistics, Connecticut gained 14,100 nonfarm seasonally-adjusted payroll jobs over the course of FY 2018 and had a total of 1,698,000 employed residents as of June 2018. As the fiscal year closed, unemployment stood at 4.4 percent, down three-tenths of a point from a year earlier when it was 4.7 percent. Connecticut had recovered 86.1 percent (102,600 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year. Looking at year-over-year job growth, construction and manufacturing were the fastest growing sectors of the state labor market on a percentage basis.

The Connecticut housing market's results were mixed for FY 2018. Berkshire Hathaway HomeServices reported results for the Connecticut housing market for June 2018 compared with June 2017. Sales of single family homes fell 7.99 percent, while the median sale price rose 4.69 percent. New listings decreased by 5.57 percent in Connecticut and the median list price increased by 6.82 percent to \$299,000. Average days on the market grew 20.29 percent in June 2018 compared to the same month in the previous year (83 days on average, up from 69 days).

A more complete discussion of Fiscal Year 2018 economic condition and outlook is contained in the MDA section of this report.

Acknowledgements

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

Sincerely,



Kevin Lembo
Connecticut State Comptroller

***CONSTITUTIONAL OFFICERS
EXECUTIVE***

Dannel P. Malloy
Governor

Nancy Wyman
Lieutenant Governor

Denise Merrill
Secretary of State

Denise L. Nappier
Treasurer

Kevin Lembo
Comptroller

George C. Jepsen
Attorney General

LEGISLATIVE

Martin M. Looney
Democratic President Pro Tempore of the Senate

Len Fasano
Republican President Pro Tempore of the Senate

Joseph Aresimowicz
Speaker of the House of Representatives

JUDICIAL

Richard A. Robinson
Chief Justice, Supreme Court



*FINANCIAL
SECTION*

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

INDEPENDENT AUDITORS' REPORT

Governor Ned Lamont
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, 2018, 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.

Auditors' 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 6% of the assets, 2% of the net position and 8% of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 54% of the assets, 42% of the net position and 35% 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% of the assets and 98% of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100% of the assets and 100% 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 54% of the assets, 42% of the net position and 35% 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 solely 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, Clean Water Fund, Drinking Water Fund, Connecticut Housing Finance Authority, Connecticut Airport Authority, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Capital Region Development Authority, Connecticut Innovations Incorporated, Connecticut Green Bank, Connecticut Lottery Corporation and Connecticut Health Insurance Exchange were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*.

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

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

Opinion

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 of the State of Connecticut, as of June 30, 2018, 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 described in Note 13 to the financial statements, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the State of Connecticut restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension plan schedules and information, and the other postemployment benefits schedules, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, 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, 2018, State of Connecticut Comprehensive Annual Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor

January 15, 2019
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2018. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements

The State's total net position (deficit) decreased \$11.1 billion (or 18.9 percent) as a result of this year's operations. Net position (deficit) of governmental activities decreased by \$10.7 billion (or 16.4 percent) and net position of business-type activities increased by \$327.9 million (or 4.9 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative \$54.6 billion and \$7.0 billion, respectively.

Component units reported net position of \$2.3 billion, an increase of \$74.6 million or 3.3 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

As a result of implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the State adjusted the beginning unrestricted net position by recording \$677.8 million deferred outflows of resources for subsequent contributions and \$20.7 billion net OPEB liability for the primary government. As explained in Note 22, this was the primary reason for a \$20.0 billion adjustment to the beginning unrestricted net position in fiscal year 2017.

Fund Financial Statements

The governmental funds reported combined ending fund balance of \$4.8 billion, an increase of \$2.0 billion in comparison with the prior year. Of this total fund balance, \$195.3 million represents nonspendable fund balance, \$3.5 billion represents restricted fund balance, \$1.4 billion represents committed fund balance, and \$10.9 million represents assigned fund balance. A negative \$241.8 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which decreased by \$587.9 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Fund (Rainy Day Fund) ended the fiscal year with a balance of \$1.2 billion compared to the prior year's balance of \$212.9 million. The primary reason for the increase was a new revenue volatility provision, contained in Public Act 17-2, of the June Special Session, required that any estimated and final income tax payments above a threshold of \$3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled \$4.6 billion, which resulted in a revenue volatility deposit of \$1.5 billion to the Budget Reserve Fund. After a transfer was made to close the fiscal year end deficit in the General Fund, the budget Reserve Fund had a balance of \$1.2 billion.

Tax revenues in the governmental funds increased \$2.2 billion or 13.5 percent. General fund tax revenues increased \$2.0 billion or 12.9 percent.

The Enterprise funds reported net position of \$7.0 billion at year-end, an increase of \$327.9 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 \$83.4 billion for governmental activities at year-end, of which \$24.3 billion was bonded debt.

Total long-term debt was \$2.2 billion for business-type activities at year-end, of which \$1.5 billion was bonded debt.

State of Connecticut

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position and the Statement of Activities beginning on page 37 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 them 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 2018. 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.

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

The fund financial statements beginning on page 42 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

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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 43 and 45 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 Liability 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 employer contributions for pension and other postemployment benefits, change in employers' net pension liability and OPEB liability, and investment return for the State's pension and OPEB plans.

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.

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FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State decreased \$11.1 billion or 18.9 percent. In comparison, last year the combined net position deficit increased \$802 million or 2.1 percent. The net position deficit of the State's governmental activities decreased \$10.7 billion (16.4 percent) to \$54.6 billion during the current fiscal year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017*</u>
ASSETS						
Current and Other Assets	\$ 5,818	\$ 4,074	\$ 2,659	\$ 2,477	\$ 8,477	\$ 6,551
Noncurrent Assets	17,417	16,653	7,112	6,888	24,529	23,541
Total Assets	23,235	20,727	9,771	9,365	33,006	30,092
Deferred Outflows of Resources	9,084	11,183	12	14	9,096	11,197
LIABILITIES						
Current Liabilities	4,967	4,716	673	691	5,640	5,407
Long-term Liabilities	80,877	92,031	2,066	1,976	82,943	94,007
Total Liabilities	85,844	96,747	2,739	2,667	88,583	99,414
Deferred Inflows of Resources	1,076	328	7	3	1,083	331
NET POSITION						
Net Investment in Capital Assets	4,321	4,568	4,287	4,126	8,608	8,694
Restricted	3,027	2,888	1,099	1,018	4,126	3,906
Unrestricted	(61,949)	(72,803)	1,651	1,565	(60,298)	(71,238)
Total Net Position (Deficit)	\$ (54,601)	\$ (65,347)	\$ 7,037	\$ 6,709	\$ (47,564)	\$ (58,638)

* Restated for implementation of GASB 75

Total investment in capital assets net of related debt was \$4.3 billion (buildings, roads, bridges, etc.); and \$3.0 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of \$62.0 billion for governmental activities. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit: a) general obligation bonds outstanding of \$18.8 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 \$57.2 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB liabilities and compensated absences).

Net position of the State's business-type activities increased \$327.9 million (4.9 percent) to \$7.0 billion during the current fiscal year. Of this amount, \$4.3 billion was invested in capital assets and \$1.1 billion was restricted for specific purposes, resulting in unrestricted net positions of \$1.6 billion. These resources are not available to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

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Changes in net position for the years ended June 30, 2018 and 2017 were as follows:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% change</u>
	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017*</u>	<u>18-17</u>
REVENUES							
Program Revenues							
Charges for Services	\$ 2,642	\$ 3,038	\$ 2,947	\$ 2,887	\$ 5,589	\$ 5,925	-5.7%
Operating Grants and Contributions	7,563	7,368	350	367	7,913	7,735	2.3%
Capital Grants and Contributions	651	863	5	1	656	864	-24.1%
General Revenues							
Taxes	18,309	16,141	-	-	18,309	16,141	13.4%
Casino Gaming Payments	273	270	-	-	273	270	1.1%
Lottery Tickets	336	326	-	-	336	326	3.1%
Other	166	153	29	16	195	169	15.4%
Total Revenues	29,940	28,159	3,331	3,271	33,271	31,430	5.9%
EXPENSES							
Legislative	72	225	-	-	72	225	-68.0%
General Government	1,518	3,978	-	-	1,518	3,978	-61.8%
Regulation and Protection	542	1,704	-	-	542	1,704	-68.2%
Conservation and Development	636	2,129	-	-	636	2,129	-70.1%
Health and Hospital	1,612	4,733	-	-	1,612	4,733	-65.9%
Transportation	1,284	2,780	-	-	1,284	2,780	-53.8%
Human Services	5,950	16,513	-	-	5,950	16,513	-64.0%
Education, Libraries, and Museums	3,189	9,042	-	-	3,189	9,042	-64.7%
Corrections	1,335	3,856	-	-	1,335	3,856	-65.4%
Judicial	605	1,873	-	-	605	1,873	-67.7%
Interest and Fiscal Charges	889	878	-	-	889	878	1.3%
University of Connecticut & Health Center	-	-	2,402	2,310	2,402	2,310	4.0%
Board of Regents	-	-	1,365	1,360	1,365	1,360	0.4%
Employment Security	-	-	696	726	696	726	-4.1%
Clean Water	-	-	44	36	44	36	22.2%
Other	-	-	58	66	58	66	-12.1%
Total Expenses	17,632	47,711	4,565	4,498	22,197	52,209	-57.5%
Excess (Deficiency) Before Transfers	12,308	(19,552)	(1,234)	(1,227)	11,074	(20,779)	
Transfers	(1,562)	(1,667)	1,562	1,667	-	-	
Increase (Decrease) in Net Position	10,746	(21,219)	328	440	11,074	(20,779)	
Net Position (Deficit) - Beginning (as restated)	(65,347)	(44,128)	6,709	6,269	(58,638)	(37,859)	
Net Position (Deficit) - Ending	(54,601)	(65,347)	7,037	6,709	(47,564)	(58,638)	-18.9%

*Restated for implementation of GASB 75

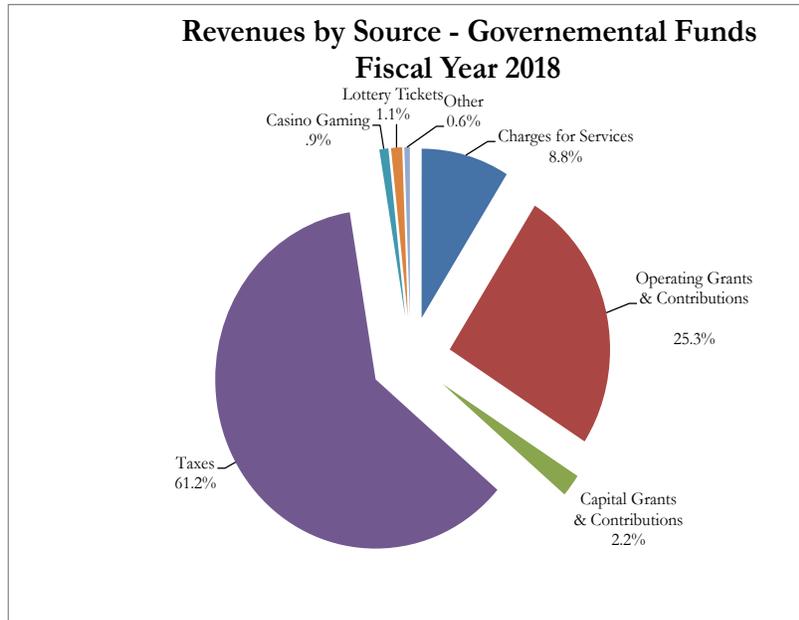
Changes in Net Position

This year the State's governmental activities received 61.2 percent of its revenue from taxes and 27.4 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 57.3 percent and grants and contributions were 29.3 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 8.9 percent of total revenue in fiscal year 2018, compared to 10.8 percent in fiscal year 2017.

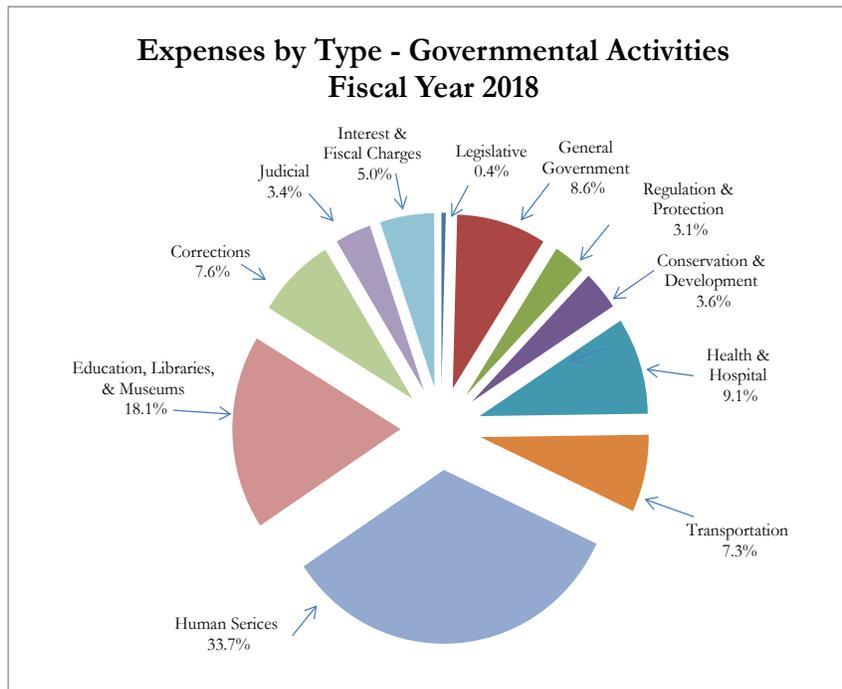
State of Connecticut

Governmental Activities

The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by \$1.8 billion, or 6.4 percent. This increase is primarily due to an increase of \$2.2 billion in taxes.



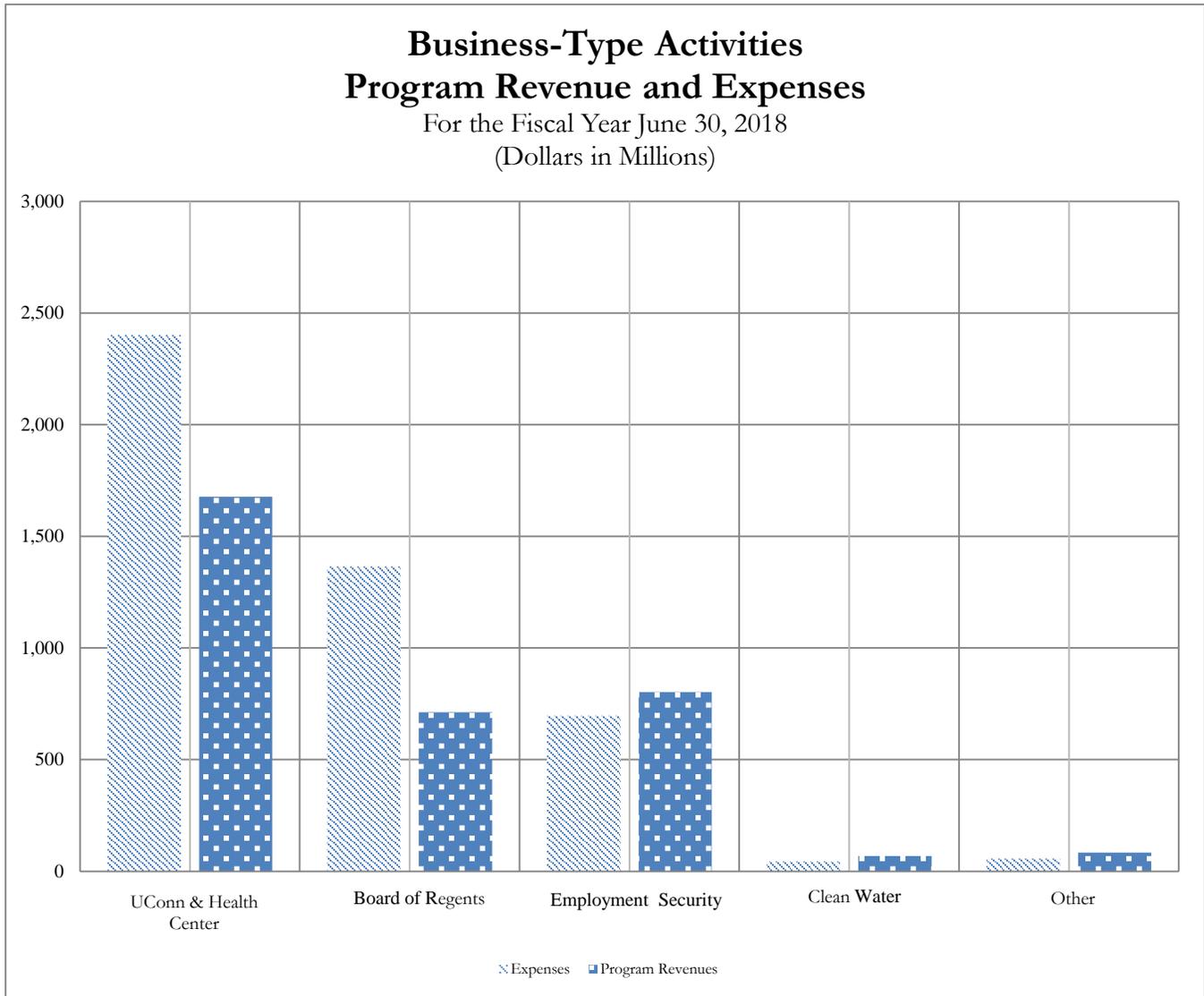
The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by \$30.1 billion, or 63.0 percent. The decrease is mainly attributable to the restatement of the prior year expenditures by \$20.0 million because of the implementation of GASB 75.



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Business-Type Activities

Net position of business-type activities increased by \$327.9 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 1.8 percent to \$3.3 billion, while total expenses increased 1.5 percent to \$4.6 billion. In comparison, last year total revenues decreased 4.7 percent, while total expenses increased 2.0 percent. The increase in total expenses of \$67 million was due mainly to an increase in University of Connecticut and Health Center expenses of \$92 million or 4.0 percent. Although total expenses exceeded total revenues by \$1.3 billion, this deficiency was reduced by transfers of \$1.6 billion, resulting in an increase in net position of \$327.9 million.

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FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of \$4.8 billion, an increase of \$2.0 billion over the prior year ending fund balances. Of the total governmental fund balances, \$3.5 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation; \$195.3 million represents fund balance that is non-spendable and \$1.4 billion represents fund balance that is committed or assigned for specific purposes. A negative \$241.8 million unassigned fund balance offsets these amounts.

General Fund

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance of \$1.2 billion, an increase of \$1.6 billion in comparison with the prior year. Of this total fund balance, \$1.4 billion represents non-spendable fund balance or committed for specific purposes, leaving a deficit of \$241.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by \$2.8 million or 5.3 percent.
- Committed fund balance increased by \$1.1 million or 38.9 percent. The primary reason for the increase was a new revenue volatility provision that required any estimated and final income tax payments above a threshold of \$3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled \$4.6 billion, which resulted in a revenue volatility deposit of \$1.5 billion to the Budget Reserve Fund.
- Unassigned fund balance deficit decreased by \$580.1 million. This was primarily associated to a delay in Federal approval for Medicaid reimbursements related to supplemental hospital payments.

At the end of fiscal year 2018, General Fund revenues were 11.7 percent, or \$2.2 billion, higher than fiscal year 2017 revenues. This change in revenue results from increases of \$2.3 billion primarily attributable to taxes (\$2.0 billion), licenses, permits, and fees (\$29.5 million), federal grants (\$304.3 million), lottery tickets (\$9.8 million), and casino gaming payments (\$3.1 million). These increases were offset by decreases of \$137.4 million primarily attributable to fines, forfeits, and rents (\$83.7 million), charges for services (\$5.9 million), and other revenue (\$47.8 million).

At the end of fiscal year 2018, General Fund expenditures were 5.5 percent, or \$939.2 million, higher than fiscal year 2017. This was primarily attributable to increases in human services (\$550.1 million), general government (\$210.8 million), and education, libraries, and museums (\$91.9 million).

Debt Service Fund

At the end of fiscal year 2018, the Debt Service Fund had a fund balance of \$901.9 million, all of which was restricted, an increase of \$74.8 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of \$321.5 million at the end of fiscal 2018. Of this amount, \$23.3 million was in nonspendable form and \$298.2 million was restricted or committed for specific purposes. Fund balance increased by \$139.4 million during the current fiscal year.

At the end of fiscal year 2018, Transportation Fund revenues increased by \$227.2 million, or 15.8 percent, and expenditures increased by \$33.6 million, or 3.6 percent. The growth in revenue was primarily due to an increase in tax receipts.

Restricted Grants and Accounts Fund

At the end of fiscal year 2018, the Restricted Grants and Accounts Fund had a fund balance of \$278.2 million, all of which was restricted for specific purposes, a decrease of \$149.8 million in comparison with the prior year.

Total revenues were 6.5 percent, or \$496.4 million, lower than in fiscal year 2017. Overall, total expenditures were 2.7 percent, or \$205.3 million, lower than fiscal year 2017.

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Grant and Loan Programs

As of June 30, 2018, the Grant and Loan Programs Fund had a fund balance of \$887.3 million, all of which was restricted or committed for specific purposes, an increase of \$44.0 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 \$35.9 billion, an increase of \$1.7 billion when compared to the prior year ending net position.

Budget Highlights - General and Transportation Funds

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 results 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 2018 with a deficit of \$482,860,543 on the statutory basis of accounting. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating surplus of \$148,105,872, which left a positive fund balance of \$245,720,926 at the close of Fiscal Year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. The reserves at the beginning of Fiscal Year 2018 were \$212,886,689. However, a new revenue volatility provision, contained in Public Act 17-2, June Special Session, required that any estimated and final income tax payments above a threshold of \$3.15 billion be transferred to the Budget Reserve Fund (BRF). For a number of reasons discussed below, estimated and final income tax collections totaled \$4,621,333,283 in FY 2018, which resulted in a revenue volatility deposit of \$1,471,333,283 to the BRF. After the transfer to the General Fund was made to close the FY 2018 deficit, the BRF had a balance of \$1,201,359,429 as of June 30, 2018.

An additional transfer of \$16.1 million from the BRF to the Retired Teachers' Health Service Fund, as required by Public Act 18-81, brought the BRF balance to \$1,185,259,429, or approximately 6.2 percent of FY 2019 General Fund budgeted appropriations.

Fiscal Year 2018 began with considerable uncertainty as the state entered the year without an approved budget. The first four months of operations were conducted under an interim spending plan issued the Governor's Office under Executive Order 58. In addition, during the fiscal year, an agreement was ratified with the state employee labor unions (known as the State Employees Bargaining Agent Coalition or SEBAC) to lower wage and benefit costs in FY 2018 and in subsequent years.

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In late October 2017, the 2018-2019 biennial budget was passed by the Connecticut General Assembly and signed into law. The budget plan for FY 2018 had net General Fund appropriations of \$18.690 billion, which represented growth of 4.6 percent over FY 2017 appropriation levels. Other statutory revisions during the fiscal year later brought FY 2018 net General Fund appropriations to \$18.674 billion.

In the end General Fund FY 2018, expenditures totaled \$18.611 billion on the statutory basis of accounting. This represented growth of 4.8 percent over actual FY 2017 spending levels, a net increase of \$847.7 million. Further analysis indicates that spending growth was concentrated in specific areas for FY 2018. For example, a significant portion of the net increase was related to higher Supplemental Hospital Payments (\$562 million above FY 2017 levels) that were part of the FY 2018 budget plan. It should be noted that the increases in these supplemental payments will be offset in part by higher Federal Medicaid reimbursements. Other significant areas of expenditure growth included several fixed cost categories such as higher contributions for teachers' retirement (+\$258.9 million or 25.6 percent more than FY 2017); increased debt service payments (+\$182.3 million or 10.3 percent above the prior year); higher Medicaid spending (+\$105.9 million or growth of 4.4 percent); and \$91.2 million in new other post-employment benefit (OPEB) contributions, which are set aside for future state employee retirement health costs.

In part due to SEBAC 2017, there were reductions in a number of areas that helped mitigate spending growth in FY 2018. For example, General Fund salaries were \$119.4 million lower in FY 2018 than in FY 2017, a reduction of 4.4 percent. The General Fund's pension contribution to the State Employee Retirement System (SERS) was approximately \$73 million lower than the prior year, a decline of 6.5 percent. Spending was reduced for other employee benefit categories including active employee medical insurance (-\$36.2 million, down 5.6 percent) and employer Social Security payments (-\$11.2 million, down 5.2 percent). Continuing a trend from the previous year, General Fund block grant support for the higher education units fell by \$64.0 million or 10.4 percent compared with FY 2017.

Overall, factoring in the \$1.47 billion revenue volatility transfer out to the Budget Reserve Fund, General Fund revenue collections fell below the budget plan for FY 2018 by \$558.5 million, or approximately 3.0 percent. Without the new volatility transfer, General Fund revenues would have exceeded the budget plan by \$912.8 or 4.9 percent.

The most notable revenue category in FY 2018 was the Personal Income Tax, which came in nearly \$1.59 billion above its budget target. It should be noted, however, the components of the income tax out-performed the budget plan at different growth rates. The withholding portion of the income tax came in about 1.8 percent above the budget plan while the estimated and finals portion ended the year approximately 47.2 percent over the budget target. Over the course of the fiscal year, several Federal tax provisions had a significant impact on collections in this latter category.

The change in the Personal Income Tax related to the Federal tax changes that took effect at the beginning of calendar 2018. Some analysts noted that higher income taxpayers may have been holding off selling investments in recent years in anticipation of lower Federal tax rates. However, after the Federal tax changes became effective on January 1, 2018, more investors began selling assets held during the stock market run up, which increased estimated quarterly or final payments made during the second half of FY 2018.

Another key factor for FY 2018 revenue was related to an October 2008 Federal law that eliminated a common mechanism used by hedge fund managers that enabled them to defer receipt of incentive or management fees earned by charging them to an offshore fund. Under the new rules (Internal Revenue Code Section 475A) hedge fund managers had to recognize these profits, earned prior to January 1, 2009, as income before December 31, 2017. As a result, a significant amount of the estimated payments collected during FY 2018 were related to hedge fund managers bringing these profits back to the United States from overseas. As the Office of the State Comptroller noted at the time, these revenue windfalls should be considered one-time in nature and not used to expand ongoing program expenditures that may not be sustainable.

The positive performance in the Personal Income Tax was offset in part by weakness in other tax categories that came in below their FY 2018 budget targets. These tax categories included Sales and Use (-\$18.3 million), Corporations (-\$12.5 million), Public Service Corporations (-\$34.3 million), Cigarettes and Tobacco (-\$17.8 million), Real Estate Conveyance (-\$13.1 million), Admissions, Dues and Cabaret (-\$1.2 million) and Miscellaneous taxes (-\$12.8 million). In contrast, the Inheritance and Estate Tax over-performed budget expectations by \$43.7 million or 24.3 percent. Finally, General Fund Federal grant revenue came in \$623.2 million below the budget plan, partly due to a delay in Federal approval for Medicaid

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reimbursements related to the supplemental hospital payments. These reimbursements are expected to be received in FY 2019.

The Transportation Fund had revenue of \$1,630.1 million in FY 2018, which exceeded the budget plan by \$37.5 million. The strongest performing revenue category was the Oil Companies tax, which benefitted from higher oil prices and finished the year \$40.7 million above target. Transportation Fund spending of \$1,483.7 million grew by \$51.9 million or 3.6 percent from the prior fiscal year. The largest programmatic spending increases were for public transportation initiatives including rail operations, which grew \$36.9 million or 23.1 percent, and bus operations, which increased \$13.5 million or 8.9 percent. In addition, debt service costs rose by \$31.8 million or 5.9 percent over FY 2017 levels. These increases were offset in part by lower salary costs, which declined by \$7.3 million or 3.3 percent and lower spending on employee benefits, which decreased by a net \$8.9 million or 4.6 percent.

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, 2018 totaled \$20.5 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 \$779.6 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings, land, and infrastructure of \$821.2 million and depreciation expense of \$731.7 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	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,833	\$ 1,788	\$ 69	\$ 69	\$ 1,902	1,857
Buildings	2,744	2,836	3,697	3,385	6,441	6,221
Improvements Other Than Buildings	106	127	201	197	307	324
Equipment	45	49	410	344	455	393
Infrastructure	5,652	5,096	-	-	5,652	5,096
Construction in Progress	5,053	4,988	723	877	5,776	5,865
Total	<u>\$ 15,433</u>	<u>\$ 14,884</u>	<u>\$ 5,100</u>	<u>\$ 4,872</u>	<u>\$ 20,533</u>	<u>\$ 19,756</u>

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

State of Connecticut

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of \$27.9 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

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

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 18,763	\$ 18,399	\$ -	\$ -	\$ 18,763	\$ 18,399
Transportation Related Bonds	5,541	5,042	-	-	5,541	5,042
Revenue Bonds	-	-	1,494	1,443	1,494	1,443
Long-Term Notes	-	177	-	-	-	177
Premiums and Deferred Amounts	<u>1,919</u>	<u>1,887</u>	<u>178</u>	<u>175</u>	<u>2,097</u>	<u>2,062</u>
Total	<u>\$ 26,223</u>	<u>\$ 25,505</u>	<u>\$ 1,672</u>	<u>\$ 1,618</u>	<u>\$ 27,895</u>	<u>\$ 27,123</u>

The State's total bonded debt increased by \$772.7 million (2.8 percent) during the current fiscal year. This increase resulted mainly from an increase in Transportation related bonds of \$498.7 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 2018, the State had a debt incurring margin of \$2.7 billion.

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017*</u>
Net Pension Liability	\$ 34,566	\$ 37,192	\$ -	\$ -	\$ 34,566	\$ 37,192
Net OPEB Liability	20,591	20,655	-	-	20,591	20,655
Compensated Absences	498	513	197	193	695	706
Workers Compensation	747	718	-	-	747	718
Nonexchange Financial Guarantee	532	-	-	-	532	-
Other	<u>260</u>	<u>120</u>	<u>355</u>	<u>327</u>	<u>615</u>	<u>447</u>
Total	<u>\$ 57,194</u>	<u>\$ 59,198</u>	<u>\$ 552</u>	<u>\$ 520</u>	<u>\$ 57,746</u>	<u>\$ 59,718</u>

* Restated for implementation of GASB 75

The State's other long-term obligations decreased by \$2.0 billion (3.3 percent) during the fiscal year. This decrease was due mainly to a decrease in the net pension liability (Governmental activities) of \$2.6 billion or 7.1 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

State of Connecticut

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

During FY 2018 Connecticut's economy experienced moderate growth, with some notable improvements toward the end of the year. Nevertheless, Connecticut continues to lag behind the nation's economic recovery in several key areas. A decade after its onset and despite progress on a number of fronts, Connecticut has yet to recover fully from the effects of the Great Recession.

According to state Department of Labor (DOL) statistics, Connecticut gained 14,100 nonfarm seasonally adjusted payroll jobs over the course of FY 2018 and had a total of 1,698,000 employed residents as of June 2018. As the fiscal year closed, unemployment stood at 4.4 percent, down three-tenths of a point from a year earlier when it was 4.7 percent. Connecticut had recovered 86.1 percent (102,600 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year. Looking at year-over-year job growth, construction and manufacturing were the fastest growing sectors of the state labor market on a percentage basis.

The Connecticut housing market's results were mixed for FY 2018. Berkshire Hathaway Home Services reported results for the Connecticut housing market for June 2018 compared with June 2017. Sales of single-family homes fell 7.99 percent, while the median sale price rose 4.69 percent. New listings decreased by 5.57 percent in Connecticut and the median list price increased by 6.82 percent to \$299,000. Average days on the market grew 20.29 percent in June 2018 compared to the same month in the previous year (83 days on average, up from 69 days).

The Federal Housing Finance Agency (FHFA) reported housing price appreciation statistics by state for the period ending June 30, 2018. FHFA's Housing Price Index (HPI) tracks changes in home values for individual properties owned or guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). Over the past year, Connecticut home prices continued to grow more slowly than most of the nation. Connecticut homes appreciated only 2.38 percent for the year, which ranked 48th in the nation overall. The U.S. average appreciation for the period was 6.49 percent. A comparison of five-year housing prices showed similar results: Single-family houses in Connecticut appreciated 6.69 percent for the period versus a 33.09 percent increase for the nation as a whole.

In November 2018, the Bureau of Economic Analysis (BEA) released Real Gross Domestic Product (GDP) results by state for the second quarter of 2018. Connecticut experienced a seasonally adjusted annual growth rate of 3.1 percent, which ranked 43rd in the nation overall. This growth rate was slower than both the national average of 4.2 percent and the New England regional average of 3.7 percent.

According to BEA, Connecticut's personal income grew by a 4.2 percent annual rate between the first and second quarters of 2018. Based on this result, Connecticut ranked 22nd in the nation for second quarter income growth. While this growth rate was equal to the national average, it represented the strongest performance in the New England region for the period.

Despite the deep recession of 2008 and the relatively moderate pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2017, Connecticut had a per capita personal income (PCPI) of \$71,823. This PCPI ranked first in the United States and was 139 percent of the national average of \$51,640. The 2017 PCPI reflected an increase of 3.3 percent from 2016. The 2016-2017 national change was 3.6 percent. In 2007, the PCPI of Connecticut was \$58,122 and ranked first in the United States. The 2007-2017 compound annual growth rate of PCPI was 2.1 percent in Connecticut. The compound annual growth rate for the nation was 2.6 percent.

Connecticut's high income is partially explained by the high level of educational achievement attained by its residents. According to the U.S. Census Bureau, 38.4 percent of Connecticut's population age 25 and over has a Bachelor's degree or higher, which was fourth in the nation among U.S. states.

Connecticut has a long history of technological innovation dating back centuries and innovation will continue to be a key factor for Connecticut's economic growth moving forward. In recent years, Connecticut has remained near the top on a number of science, technology and innovation-related categories. According to a report by the Connecticut Economic

State of Connecticut

Resource Center (CERC), Connecticut ranked third in the country for the percentage of employees with advanced degrees. In addition, the State's workforce is extremely industrious, ranking fifth among U.S. states in productivity. Connecticut was fourth in the nation for private research and development per capita and seventh in patents issued per capita. The Milken Institute ranked Connecticut sixth in the nation on its State Technology and Science Index, with high marks for human capital investment and research and development. Connecticut also had a top ten finish on the 2017 State New Economy Index published by the Information and Technology Foundation.

As in many other states, Connecticut's traditional core sectors have been reshaped by national trends and global competition. Manufacturing's contribution to the state economy, while still vitally important, has been significantly reduced in recent decades. In January 1991, manufacturing payroll employment in Connecticut totaled over 290,000 jobs. By the end of FY 2018, that job total was 163,700, a decline of 44 percent for the period. In the July 2018 Connecticut Economic Digest, the Connecticut Department of Labor (DOL) reported that manufacturing's contribution to the change in Connecticut's Real Gross State Product (GSP) was an increase of \$16.2 billion from 1997 to 2007, representing about a quarter of the growth for the period. However, from 2007 to 2016, Connecticut's manufacturing sector was responsible for an \$18.6 billion reduction in Real GSP. DOL pointed to a decline in chemical manufacturing as a key component in this drop in Connecticut, largely due to the downsizing or the departure of several large pharmaceutical firms.

Despite this trend, Connecticut continues to be a leader in the field of high tech manufacturing, producing jet engines and parts, submarines, helicopters, electronics, computer equipment and electronic machinery. Much of Connecticut's manufacturing is for the military. According the state's Office of Military Affairs, Connecticut ranked fourth in the nation in 2018 estimated U.S. defense spending per capita and second in the nation for defense procurement purchases (not including military pay).

Finance, insurance and real estate (FIRE) is an important industry grouping that represents over a quarter of the State's Real Gross Domestic Product (GDP). Connecticut's FIRE sector has lost more than 10 percent of the jobs held at the pre-recession peak in March of 2008, a reduction of 14,800 jobs. These are some of the highest paying jobs within the state. Over the past decade, the strongest job gains continue to be in fields with below average wages, including educational & health services and leisure & hospitality.

Economic improvements seen at the end of FY 2018 have continued into the first half of FY 2019. As of this writing, Connecticut has gained additional jobs and seen the unemployment rate reduced further. The State's General Fund is currently on track to end the year with a modest surplus, and if projections hold, the Budget Reserve Fund (BRF) balance will increase for the second year in a row. It should be noted, however, that April is the most significant month for revenue collections, especially for final income tax payments. Therefore, this information represents the best available at this time. The Office of the State Comptroller will continue to provide updated monthly budget projections for the remainder the fiscal year.

Looking forward to the next biennium, Connecticut faces a number of challenges as fixed costs related to entitlements, state pensions, retirement health costs, and debt service represent a growing share of the state budget. Future budget stability will continue to be dependent on economic growth coupled with spending restraint. Due to its highly educated, productive workforce and its capacity for innovation, Connecticut is well positioned to create a strong economy moving into the future.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

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

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*BASIC
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STATEMENTS*

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*GOVERNMENT-WIDE
FINANCIAL
STATEMENTS*

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State of Connecticut

STATEMENT OF NET POSITION

June 30, 2018

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 2,369,102	\$ 852,178	\$ 3,221,280	\$ 261,108
Deposits with U.S. Treasury	-	576,874	576,874	-
Investments	116,676	66,044	182,720	520,168
Receivables, (Net of Allowances)	3,440,876	601,359	4,042,235	91,797
Due from Primary Government	-	-	-	4,068
Inventories	40,311	11,531	51,842	6,203
Restricted Assets	-	357,914	357,914	1,182,760
Internal Balances	(157,508)	157,508	-	-
Other Current Assets	8,083	35,977	44,060	16,286
Total Current Assets	5,817,540	2,659,385	8,476,925	2,082,390
Noncurrent Assets:				
Cash and Cash Equivalents	-	577,883	577,883	-
Due From Component Units	57,471	-	57,471	-
Investments	-	55,255	55,255	222,631
Receivables, (Net of Allowances)	1,024,664	1,113,123	2,137,787	117,564
Restricted Assets	901,920	260,013	1,161,933	5,242,463
Capital Assets, (Net of Accumulated Depreciation)	15,432,608	5,100,741	20,533,349	776,166
Other Noncurrent Assets	145	4,525	4,670	67,496
Total Noncurrent Assets	17,416,808	7,111,540	24,528,348	6,426,320
Total Assets	\$ 23,234,348	\$ 9,770,925	\$ 33,005,273	\$ 8,508,710
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 440	\$ -	\$ 440	\$ 10,999
Unamortized Losses on Bond Refundings	69,139	12,222	81,361	93,418
Related to Pensions	9,014,590	-	9,014,590	94,049
Other Deferred Outflows	-	238	238	38
Total Deferred Outflows of Resources	\$ 9,084,169	\$ 12,460	\$ 9,096,629	\$ 198,504
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 959,168	\$ 396,246	\$ 1,355,414	\$ 121,797
Due to Component Units	4,068	-	4,068	-
Due to Primary Government	-	-	-	57,471
Due to Other Governments	291,118	2,243	293,361	-
Current Portion of Long-Term Obligations	2,539,841	158,122	2,697,963	310,190
Amount Held for Institutions	-	-	-	227,870
Unearned Revenue	19,484	36,530	56,014	-
Medicaid Liability	663,706	-	663,706	-
Liability for Escheated Property	412,037	-	412,037	-
Other Current Liabilities	77,737	79,410	157,147	46,291
Total Current Liabilities	4,967,159	672,551	5,639,710	763,619
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	80,877,252	2,066,898	82,944,150	5,595,415
Total Noncurrent Liabilities	80,877,252	2,066,898	82,944,150	5,595,415
Total Liabilities	\$ 85,844,411	\$ 2,739,449	\$ 88,583,860	\$ 6,359,034
Deferred Inflows of Resources				
Related to Pensions	\$ 1,075,511	\$ -	\$ 1,075,511	\$ 41,150
Other Deferred Inflows	-	6,881	6,881	679
Total Deferred Inflows of Resources	\$ 1,075,511	\$ 6,881	\$ 1,082,392	\$ 41,829
Net Position				
Net Investment in Capital Assets	\$ 4,321,358	\$ 4,287,451	\$ 8,608,809	\$ 466,064
Restricted For:				
Transportation	225,262	-	225,262	-
Debt Service	831,585	4,508	836,093	6,521
Federal Grants and Other Accounts	281,165	-	281,165	-
Capital Projects	573,991	172,113	746,104	124,330
Grant and Loan Programs	890,304	-	890,304	-
Clean Water and Drinking Water Projects	-	758,542	758,542	-
Bond Indenture Requirements	-	-	-	879,623
Loans	-	2,962	2,962	-
Permanent Investments or Endowments:				
Expendable	-	63,733	63,733	124,058
Nonexpendable	118,673	16,275	134,948	476,949
Other Purposes	105,274	80,414	185,688	34,204
Unrestricted (Deficit)	(61,949,017)	1,651,057	(60,297,960)	194,602
Total Net Position (Deficit)	\$ (54,601,405)	\$ 7,037,055	\$ (47,564,350)	\$ 2,306,351

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

State of Connecticut

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</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	\$ 71,859	\$ 1,738	\$ -	\$ -
General Government	1,518,254	905,635	71,702	-
Regulation and Protection	541,574	637,229	152,611	-
Conservation and Development	635,923	198,643	239,478	-
Health and Hospitals	1,611,855	616,659	184,817	-
Transportation	1,283,529	49,778	-	650,615
Human Services	5,950,282	83,541	6,159,243	-
Education, Libraries, and Museums	3,188,852	17,817	594,324	-
Corrections	1,335,350	8,495	141,491	-
Judicial	605,361	122,305	19,168	-
Interest and Fiscal Charges	888,410	-	-	-
Total Governmental Activities	17,631,249	2,641,840	7,562,834	650,615
Business-Type Activities:				
University of Connecticut & Health Center	2,402,077	1,441,195	224,473	5,099
Board of Regents	1,365,312	644,082	56,317	-
Employment Security	696,456	773,609	30,235	-
Clean Water	44,267	30,072	27,995	-
Other	57,810	58,280	11,189	-
Total Business-Type Activities	4,565,922	2,947,238	350,209	5,099
Total Primary Government	\$ 22,197,171	\$ 5,589,078	\$ 7,913,043	\$ 655,714
Component Units				
Connecticut Housing Finance Authority (12/31/17)	\$ 193,459	\$ 165,984	\$ -	\$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	\$ 1,854,223	\$ 1,825,355	\$ 6,384	\$ 14,537
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Lottery Tickets				
Unrestricted Investment Earnings				
Transfers-Internal Activities				
Total General Revenues, Contributions, and Transfers				
Change in Net Position				
Net Position (Deficit)- Beginning (as restated)				
Net Position (Deficit)- Ending				

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

State of Connecticut

Net (Expense) Revenue and Changes in Net Position

		Primary Government					
Governmental Activities		Business-Type Activities		Total	Component Units		
\$	(70,121)	\$	-	\$	(70,121)	\$	-
	(540,917)		-		(540,917)		-
	248,266		-		248,266		-
	(197,802)		-		(197,802)		-
	(810,379)		-		(810,379)		-
	(583,136)		-		(583,136)		-
	292,502		-		292,502		-
	(2,576,711)		-		(2,576,711)		-
	(1,185,364)		-		(1,185,364)		-
	(463,888)		-		(463,888)		-
	(888,410)		-		(888,410)		-
	(6,775,960)		-		(6,775,960)		-
	-		(731,310)		(731,310)		-
	-		(664,913)		(664,913)		-
	-		107,388		107,388		-
	-		13,800		13,800		-
	-		11,659		11,659		-
	-		(1,263,376)		(1,263,376)		-
	(6,775,960)		(1,263,376)		(8,039,336)		-
	-		-		-		(27,475)
	-		-		-		(12,579)
	-		-		-		25,507
	-		-		-		6,600
	-		-		-		(7,947)
	9,729,298		-		9,729,298		-
	791,301		-		791,301		-
	4,219,398		-		4,219,398		-
	2,352,951		-		2,352,951		-
	1,135,660		-		1,135,660		-
	80,163		-		80,163		-
	272,957		-		272,957		-
	116,850		-		116,850		-
	336,239		-		336,239		-
	48,663		29,014		77,677		82,563
	(1,562,226)		1,562,226		-		-
	17,521,254		1,591,240		19,112,494		82,563
	10,745,294		327,864		11,073,158		74,616
	(65,346,699)		6,709,191		(58,637,508)		2,231,735
\$	(54,601,405)	\$	7,037,055	\$	(47,564,350)	\$	2,306,351

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FUND FINANCIAL STATEMENTS

State of Connecticut

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

(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	\$ 481,013	\$ -	\$ 127,540	\$ 406,366	\$ 312,752	\$ 1,032,717	\$ 2,360,388
Investments	-	-	-	-	-	116,676	116,676
Securities Lending Collateral	-	-	-	-	-	7,917	7,917
Receivables:							
Taxes, Net of Allowances	1,800,947	-	190,610	-	-	-	1,991,557
Accounts, Net of Allowances	387,855	-	25,358	26,928	3,804	35,853	479,798
Loans, Net of Allowances	3,419	-	-	70,489	591,745	359,011	1,024,664
From Other Governments	537,320	-	-	423,796	-	4,657	965,773
Interest	-	2,646	641	-	-	-	3,287
Other	-	-	-	-	-	2	2
Due from Other Funds	44,962	-	2,646	628	4	10,451	58,691
Due from Component Units	54,149	-	-	3,322	-	-	57,471
Inventories	12,873	-	23,270	-	-	-	36,143
Restricted Assets	-	901,920	-	-	-	-	901,920
Total Assets	<u>\$ 3,322,538</u>	<u>\$ 904,566</u>	<u>\$ 370,065</u>	<u>\$ 931,529</u>	<u>\$ 908,305</u>	<u>\$ 1,567,284</u>	<u>\$ 8,004,287</u>
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 372,777	\$ -	\$ 29,045	\$ 203,360	\$ 17,672	\$ 94,602	\$ 717,456
Due to Other Funds	84,386	2,646	-	3,744	35	121,508	212,319
Due to Component Units	-	-	-	3,455	-	613	4,068
Due to Other Governments	288,738	-	-	2,380	-	-	291,118
Unearned Revenue	10,474	-	-	-	-	9,010	19,484
Medicaid Liability	267,049	-	-	396,657	-	-	663,706
Liability For Escheated Property	412,037	-	-	-	-	-	412,037
Securities Lending Obligation	-	-	-	-	-	7,917	7,917
Other Liabilities	51,210	-	-	18,610	-	-	69,820
Total Liabilities	<u>1,486,671</u>	<u>2,646</u>	<u>29,045</u>	<u>628,206</u>	<u>17,707</u>	<u>233,650</u>	<u>2,397,925</u>
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	684,824	-	19,512	25,076	3,311	33,122	765,845
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	56,441	-	23,270	-	-	-	79,711
Permanent Fund Principal	-	-	-	-	-	115,545	115,545
Restricted For:							
Debt Service	-	901,920	-	-	-	-	901,920
Transportation Programs	-	-	269,594	-	-	-	269,594
Federal Grant and State Programs	-	-	-	278,247	-	-	278,247
Grants and Loans	-	-	-	-	886,157	-	886,157
Other	-	-	-	-	-	1,175,933	1,175,933
Committed For:							
Continuing Appropriations	134,315	-	28,644	-	-	-	162,959
Budget Reserve Fund	1,201,359	-	-	-	-	-	1,201,359
Assigned To:							
Grants and Loans	-	-	-	-	1,130	-	1,130
Other	-	-	-	-	-	9,759	9,759
Unassigned	(241,072)	-	-	-	-	(725)	(241,797)
Total Fund Balances	<u>1,151,043</u>	<u>901,920</u>	<u>321,508</u>	<u>278,247</u>	<u>887,287</u>	<u>1,300,512</u>	<u>4,840,517</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,322,538</u>	<u>\$ 904,566</u>	<u>\$ 370,065</u>	<u>\$ 931,529</u>	<u>\$ 908,305</u>	<u>\$ 1,567,284</u>	<u>\$ 8,004,287</u>

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

State of Connecticut

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

June 30, 2018

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 4,840,517

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

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

Cost of capital assets (excluding internal service funds)	31,062,297	
Less: Accumulated depreciation (excluding internal service funds)	<u>(15,674,663)</u>	
Net capital assets		15,387,634

Some assets such as receivables, are not available soon enough to pay for current period's expenditures and thus, are offset by unavailable revenue in the governmental funds. 765,845

Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds. 69,139

Deferred outflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13). 9,014,590

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

General obligation bonds payable	(18,763,228)	
Transportation bonds payable	(5,540,495)	
Unamortized premiums	(1,919,483)	
Accrued interest payable	<u>(239,523)</u>	
Net long-term debt		(26,462,729)

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

Net pension liability	(34,566,488)	
Net OPEB liability	(20,590,998)	
Obligations for worker's compensation	(747,234)	
Capital leases payable	(27,576)	
Compensated absences (excluding internal service funds)	(496,891)	
Claims and judgments payable	(195,543)	
Landfill postclosure care	(35,065)	
Nonexchange Financial guarantee	<u>(531,560)</u>	
Total other liabilities		(57,191,355)

Deferred inflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13).
 Pension and OPEB related (1,075,511)

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. 50,465

Total Net Position - Governmental Activities \$ (54,601,405)

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

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	\$ 17,033,551	\$ -	\$ 1,215,570	\$ -	\$ -	\$ -	\$ 18,249,121
Licenses, Permits, and Fees	302,383	-	339,681	8,128	-	96,937	747,129
Tobacco Settlement	-	-	-	-	-	116,850	116,850
Federal Grants and Aid	2,295,760	-	12,196	5,840,700	-	64,792	8,213,448
State Grants and Aid	619	-	-	-	-	-	619
Lottery Tickets	336,239	-	-	-	-	-	336,239
Charges for Services	33,223	-	65,530	-	-	1,042	99,795
Fines, Forfeits, and Rents	104,460	-	19,359	-	-	957	124,776
Casino Gaming Payments	272,957	-	-	-	-	-	272,957
Investment Earnings	15,911	7,757	4,910	2,682	10,446	6,937	48,643
Interest on Loans	-	-	-	-	-	20	20
Miscellaneous	267,590	-	6,699	1,263,010	51,264	132,301	1,720,864
Total Revenues	<u>20,662,693</u>	<u>7,757</u>	<u>1,663,945</u>	<u>7,114,520</u>	<u>61,710</u>	<u>419,836</u>	<u>29,930,461</u>
Expenditures							
Current:							
Legislative	105,600	-	-	1,657	-	-	107,257
General Government	1,258,744	-	5,949	432,781	542,708	96,840	2,337,022
Regulation and Protection	429,654	-	102,911	106,784	14,492	163,576	817,417
Conservation and Development	235,851	-	4,413	326,221	236,905	170,732	974,122
Health and Hospitals	1,652,242	-	-	755,784	18,453	57,481	2,483,960
Transportation	-	-	840,798	708,817	32,947	-	1,582,562
Human Services	4,952,257	-	-	4,234,825	1,255	3,064	9,191,401
Education, Libraries, and Museums	4,286,782	-	-	579,995	23,164	4,595	4,894,536
Corrections	2,012,224	-	-	25,081	3,130	1,747	2,042,182
Judicial	843,397	-	-	28,598	-	50,395	922,390
Capital Projects	-	-	-	-	-	879,431	879,431
Debt Service:							
Principal Retirement	1,580,587	301,345	525	-	-	-	1,882,457
Interest and Fiscal Charges	719,437	243,106	633	93,814	2,982	6,211	1,066,183
Total Expenditures	<u>18,076,775</u>	<u>544,451</u>	<u>955,229</u>	<u>7,294,357</u>	<u>876,036</u>	<u>1,434,072</u>	<u>29,180,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,585,918</u>	<u>(536,694)</u>	<u>708,716</u>	<u>(179,837)</u>	<u>(814,326)</u>	<u>(1,014,236)</u>	<u>749,541</u>
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	855,437	1,720,639	2,576,076
Premiums on Bonds Issued	-	35,834	-	-	50,655	156,537	243,026
Transfers In	1,643,536	623,888	13,614	68,884	-	72,948	2,422,870
Transfers Out	(2,587,385)	(14,057)	(579,337)	(38,864)	(47,734)	(712,719)	(3,980,096)
Refunding Bonds Issued	-	368,545	-	-	-	123	368,668
Payment to Refunded Bond Escrow Agent	-	(402,721)	-	-	-	-	(402,721)
Capital Lease Obligations	3,774	-	-	-	-	-	3,774
Total Other Financing Sources (Uses)	<u>(940,075)</u>	<u>611,489</u>	<u>(565,723)</u>	<u>30,020</u>	<u>858,358</u>	<u>1,237,528</u>	<u>1,231,597</u>
Net Change in Fund Balances	<u>1,645,843</u>	<u>74,795</u>	<u>142,993</u>	<u>(149,817)</u>	<u>44,032</u>	<u>223,292</u>	<u>1,981,138</u>
Fund Balances (Deficit) - Beginning	(494,418)	827,125	182,151	428,064	843,255	1,077,220	2,863,397
Change in Reserve for Inventories	(382)	-	(3,636)	-	-	-	(4,018)
Fund Balances (Deficit) - Ending	<u>\$ 1,151,043</u>	<u>\$ 901,920</u>	<u>\$ 321,508</u>	<u>\$ 278,247</u>	<u>\$ 887,287</u>	<u>\$ 1,300,512</u>	<u>\$ 4,840,517</u>

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

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 1,981,138

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

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

Debt issued or incurred:		
Bonds issued	(2,575,952)	
Refunding bonds issued	(368,668)	
Premium on bonds issued	(243,026)	
Principal repayment:		
Principal Retirement	1,881,932	
Payments to refunded bond escrow agent	402,721	
Capital lease payments	6,562	
Net debt adjustments		(896,431)

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 (3,238)

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

Capital outlays (including construction-in-progress)	1,275,829	
Depreciation expense (excluding internal service funds)	(723,438)	
Retirements	(273)	
Net capital outlay adjustments		552,118

Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories. (4,018)

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

Decrease in accrued interest	394	
Increase in interest accreted on capital appreciation debt	(18,021)	
Amortization of bond premium	210,627	
Amortization of loss on debt refundings	(18,205)	
Increase in Net OPEB Liability	63,681	
Decrease in Net OPEB obligation	10,450,183	
Increase in net deferred inflows related to other post employment benefits {OPEB}	(754,414)	
Increase in employer contributions subsequent to the OPEB measurement date	133,771	
Increase in net deferred outflows related to other post employment benefits {OPEB}	1,210	
Decrease in compensated absences	14,495	
Increase in workers compensation	(29,218)	
Increase in claims and judgments	(144,380)	
Decrease in landfill postclosure cost	1,232	
Increase in non-exchange financial guarantees	(531,560)	
Decrease in pension liability	2,625,583	
Decrease in net deferred inflows related to pensions	6,576	
Decrease in net deferred outflows related to pensions	(3,066,585)	
Increase in employer contributions subsequent to the NPL measurement date	165,008	
Net expense accruals		9,110,377

Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment. 8,307

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities. (2,959)

Change in net position - governmental activities \$ 10,745,294

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

State of Connecticut

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2018

(Expressed in Thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 466,106	\$ 324,355	\$ 1,298	\$ 5,061	\$ 55,358	\$ 852,178	\$ 8,714
Deposits with U.S. Treasury	-	-	576,874	-	-	576,874	-
Investments	640	65,404	-	-	-	66,044	-
Receivables:							
Accounts, Net of Allowances	142,783	24,511	189,970	-	6,309	363,573	80
Loans, Net of Allowances	2,326	1,633	-	200,004	22,898	226,861	-
Interest	-	-	-	3,787	195	3,982	-
From Other Governments	-	2,414	4,529	-	-	6,943	-
Due from Other Funds	54,088	133,347	672	-	-	188,107	4,500
Inventories	11,531	-	-	-	-	11,531	4,168
Restricted Assets	357,914	-	-	-	-	357,914	-
Other Current Assets	28,595	7,345	-	-	37	35,977	166
Total Current Assets	<u>1,063,983</u>	<u>559,009</u>	<u>773,343</u>	<u>208,852</u>	<u>84,797</u>	<u>2,689,984</u>	<u>17,628</u>
Noncurrent Assets:							
Cash and Cash Equivalents	-	148,471	-	337,361	92,051	577,883	-
Investments	15,833	32,471	-	6,951	-	55,255	-
Receivables:							
Loans, Net of Allowances	8,924	7,494	-	954,061	142,644	1,113,123	-
Restricted Assets	472	-	-	189,749	69,792	260,013	-
Capital Assets, Net of Accumulated Depreciation	3,167,754	1,908,704	-	-	24,283	5,100,741	44,974
Other Noncurrent Assets	3,733	568	-	-	224	4,525	145
Total Noncurrent Assets	<u>3,196,716</u>	<u>2,097,708</u>	<u>-</u>	<u>1,488,122</u>	<u>328,994</u>	<u>7,111,540</u>	<u>45,119</u>
Total Assets	<u>\$ 4,260,699</u>	<u>\$ 2,656,717</u>	<u>\$ 773,343</u>	<u>\$ 1,696,974</u>	<u>\$ 413,791</u>	<u>\$ 9,801,524</u>	<u>\$ 62,747</u>
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	\$ 4,046	\$ -	\$ -	\$ 7,995	\$ 181	\$ 12,222	\$ -
Other Deferred Outflows	-	238	-	-	-	238	-
Total Deferred Outflows of Resources	<u>\$ 4,046</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 7,995</u>	<u>\$ 181</u>	<u>\$ 12,460</u>	<u>\$ -</u>
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 255,870	\$ 117,615	\$ 694	\$ 10,224	\$ 11,843	\$ 396,246	\$ 1,500
Due to Other Funds	24,365	5,824	410	-	-	30,599	8,690
Due to Other Governments	2,199	-	44	-	-	2,243	-
Current Portion of Long-Term Obligations	66,963	26,720	-	53,831	10,608	158,122	84
Unearned Revenue	-	36,530	-	-	-	36,530	-
Other Current Liabilities	70,563	8,847	-	-	-	79,410	-
Total Current Liabilities	<u>419,960</u>	<u>195,536</u>	<u>1,148</u>	<u>64,055</u>	<u>22,451</u>	<u>703,150</u>	<u>10,274</u>
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	616,870	421,765	-	857,194	171,069	2,066,898	2,008
Total Noncurrent Liabilities	<u>616,870</u>	<u>421,765</u>	<u>-</u>	<u>857,194</u>	<u>171,069</u>	<u>2,066,898</u>	<u>2,008</u>
Total Liabilities	<u>\$ 1,036,830</u>	<u>\$ 617,301</u>	<u>\$ 1,148</u>	<u>\$ 921,249</u>	<u>\$ 193,520</u>	<u>\$ 2,770,048</u>	<u>\$ 12,282</u>
Deferred Inflows of Resources							
Other Deferred Inflows	\$ 6,856	\$ -	\$ -	\$ -	\$ 25	\$ 6,881	\$ -
Total Deferred Inflows of Resources	<u>\$ 6,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 6,881</u>	<u>\$ -</u>
Net Position (Deficit)							
Net Investment in Capital Assets	\$ 2,550,230	\$ 1,738,204	\$ -	\$ -	\$ (983)	\$ 4,287,451	\$ 45,119
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	600,095	158,447	758,542	-
Capital Projects	172,113	-	-	-	-	172,113	-
Nonexpendable Purposes	15,044	1,231	-	-	-	16,275	-
Expendable Endowment	-	63,733	-	-	-	63,733	-
Loans	2,962	-	-	-	-	2,962	-
Other Purposes	32,334	48,080	-	-	-	80,414	-
Unrestricted (Deficit)	448,376	188,406	772,195	183,625	58,455	1,651,057	5,346
Total Net Position	<u>\$ 3,221,059</u>	<u>\$ 2,039,654</u>	<u>\$ 772,195</u>	<u>\$ 783,720</u>	<u>\$ 220,427</u>	<u>\$ 7,037,055</u>	<u>\$ 50,465</u>

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

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts \$290,024)	\$ 1,220,928	\$ 497,350	\$ -	\$ -	\$ 30,019	\$ 1,748,297	\$ 52,729
Assessments	-	-	744,376	-	35,617	779,993	-
Federal Grants, Contracts, and Other Aid	157,309	22,387	15,509	-	-	195,205	-
State Grants, Contracts, and Other Aid	19,441	24,420	14,726	-	-	58,587	-
Private Gifts and Grants	47,723	9,510	-	-	-	57,233	-
Interest on Loans	-	-	-	20,647	3,165	23,812	-
Other	117,272	24,797	29,233	-	1,146	172,448	185
Total Operating Revenues	<u>1,562,673</u>	<u>578,464</u>	<u>803,844</u>	<u>20,647</u>	<u>69,947</u>	<u>3,035,575</u>	<u>52,914</u>
Operating Expenses							
Salaries, Wages, and Administrative	2,178,192	1,220,661	-	1,242	20,897	3,420,992	33,074
Unemployment Compensation	-	-	696,456	-	-	696,456	-
Claims Paid	-	-	-	-	26,164	26,164	-
Depreciation and Amortization	160,822	97,692	-	-	1,123	259,637	17,949
Other	53,155	35,696	-	3,761	2,548	95,160	-
Total Operating Expenses	<u>2,392,169</u>	<u>1,354,049</u>	<u>696,456</u>	<u>5,003</u>	<u>50,732</u>	<u>4,498,409</u>	<u>51,023</u>
Operating Income (Loss)	<u>(829,496)</u>	<u>(775,585)</u>	<u>107,388</u>	<u>15,644</u>	<u>19,215</u>	<u>(1,462,834)</u>	<u>1,891</u>
Nonoperating Revenue (Expenses)							
Interest and Investment Income	6,692	7,933	-	11,271	3,118	29,014	450
Interest and Fiscal Charges	(9,908)	(11,263)	-	(39,264)	(7,078)	(67,513)	-
Other - Net	102,995	121,935	-	9,425	(11,667)	222,688	(299)
Total Nonoperating Revenues (Expenses)	<u>99,779</u>	<u>118,605</u>	<u>-</u>	<u>(18,568)</u>	<u>(15,627)</u>	<u>184,189</u>	<u>151</u>
Income (Loss) Before Capital Contributions, Grants, and Transfers	<u>(729,717)</u>	<u>(656,980)</u>	<u>107,388</u>	<u>(2,924)</u>	<u>3,588</u>	<u>(1,278,645)</u>	<u>2,042</u>
Capital Contributions	5,099	-	-	-	-	5,099	-
Federal Capitalization Grants	-	-	-	27,995	11,189	39,184	-
Transfers In	918,180	652,931	-	590	225	1,571,926	-
Transfers Out	-	-	(9,700)	-	-	(9,700)	(5,000)
Change in Net Position	193,562	(4,049)	97,688	25,661	15,002	327,864	(2,958)
Total Net Position (Deficit) - Beginning	<u>3,027,497</u>	<u>2,043,703</u>	<u>674,507</u>	<u>758,059</u>	<u>205,425</u>	<u>6,709,191</u>	<u>53,423</u>
Total Net Position (Deficit) - Ending	<u>\$ 3,221,059</u>	<u>\$ 2,039,654</u>	<u>\$ 772,195</u>	<u>\$ 783,720</u>	<u>\$ 220,427</u>	<u>\$ 7,037,055</u>	<u>\$ 50,465</u>

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

State of Connecticut

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Business-Type Activities					Governmental Activities	
	Enterprise Funds						
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other		Totals
Cash Flows from Operating Activities							
Receipts from Customers	\$ 1,210,454	\$ 485,334	\$ 741,922	\$108,551	\$81,592	\$ 2,627,853	\$ 53,236
Payments to Suppliers	(702,248)	(308,260)	-	(3,761)	(9,824)	(1,024,093)	(28,022)
Payments to Employees	(1,415,503)	(900,629)	-	(1,170)	(11,476)	(2,328,778)	(9,881)
Other Receipts (Payments)	365,597	60,097	(734,024)	(156,134)	(56,960)	(521,424)	189
Net Cash Provided by (Used in) Operating Activities	<u>(541,700)</u>	<u>(663,458)</u>	<u>7,898</u>	<u>(52,514)</u>	<u>3,332</u>	<u>(1,246,442)</u>	<u>15,522</u>
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	88,806	-	-	-	-	88,806	-
Retirement of Bonds and Annuities Payable	-	-	-	(53,891)	(9,529)	(63,420)	-
Interest on Bonds and Annuities Payable	-	-	-	(38,327)	(8,028)	(46,355)	-
Transfers In	467,843	541,675	-	590	225	1,010,333	-
Transfers Out	-	-	(9,700)	-	-	(9,700)	(5,000)
Other Receipts (Payments)	49,034	131,489	(9,615)	-	(12,843)	158,065	(299)
Net Cash Flows from Noncapital Financing Activities	<u>605,683</u>	<u>673,164</u>	<u>(19,315)</u>	<u>(91,628)</u>	<u>(30,175)</u>	<u>1,137,729</u>	<u>(5,299)</u>
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(361,918)	(87,459)	-	-	(593)	(449,970)	(14,007)
Proceeds from Capital Debt	369,630	-	-	-	-	369,630	-
Principal Paid on Capital Debt	(101,963)	(20,055)	-	-	-	(122,018)	-
Interest Paid on Capital Debt	(63,197)	(13,943)	-	-	-	(77,140)	-
Transfer In	216,731	190,634	-	-	-	407,365	-
Federal Grant	-	-	-	27,995	11,817	39,812	-
Other Receipts (Payments)	79,060	(72,438)	-	-	-	6,622	-
Net Cash Flows from Capital and Related Financing Activities	<u>138,343</u>	<u>(3,261)</u>	<u>-</u>	<u>27,995</u>	<u>11,224</u>	<u>174,301</u>	<u>(14,007)</u>
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	45,231	-	-	-	45,231	-
Purchase of Investment Securities	(609)	(32,270)	-	-	-	(32,879)	-
Interest on Investments	6,169	6,719	10,515	11,304	3,147	37,854	450
(Increase) Decrease in Restricted Assets	-	-	-	139,942	-	139,942	-
Other Receipts (Payments)	-	(12,346)	-	(34,689)	19,522	(27,513)	-
Net Cash Flows from Investing Activities	<u>5,560</u>	<u>7,334</u>	<u>10,515</u>	<u>116,557</u>	<u>22,669</u>	<u>162,635</u>	<u>450</u>
Net Increase (Decrease) in Cash and Cash Equivalents	207,886	13,779	(902)	410	7,050	228,223	(3,334)
Cash and Cash Equivalents - Beginning of Year	616,606	459,047	2,200	4,651	48,308	1,130,812	12,048
Cash and Cash Equivalents - End of Year	<u>\$ 824,492</u>	<u>\$ 472,826</u>	<u>\$ 1,298</u>	<u>\$ 5,061</u>	<u>\$55,358</u>	<u>\$ 1,359,035</u>	<u>\$ 8,714</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	\$ (829,496)	\$ (775,585)	\$ 107,388	\$ 15,644	\$19,215	\$(1,462,834)	\$ 1,891
Adjustments not Affecting Cash:							
Depreciation and Amortization	160,822	96,651	-	-	1,123	258,596	17,949
Other	148,036	(7,300)	-	-	295	141,031	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(4,267)	10	(97,181)	(68,158)	1,680	(167,916)	26
(Increase) Decrease in Due from Other Funds	-	1,726	184	-	-	1,910	479
(Increase) Decrease in Inventories and Other Assets	1,517	810	-	-	(16,621)	(14,294)	4
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(18,312)	20,230	(1,738)	-	(2,360)	(2,180)	(4,827)
Increase (Decrease) in Due to Other Funds	-	-	(755)	-	-	(755)	-
Total Adjustments	<u>287,796</u>	<u>112,127</u>	<u>(99,490)</u>	<u>(68,158)</u>	<u>(15,883)</u>	<u>216,392</u>	<u>13,631</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (541,700)</u>	<u>\$ (663,458)</u>	<u>\$ 7,898</u>	<u>\$ (52,514)</u>	<u>\$ 3,332</u>	<u>\$(1,246,442)</u>	<u>\$ 15,522</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets							
Cash and Cash Equivalents - Current	\$ 466,106	\$ 324,355					
Cash and Cash Equivalents - Noncurrent	-	148,471					
Cash and Cash Equivalents - Restricted	358,386	-					
	<u>\$ 824,492</u>	<u>\$ 472,826</u>					
Noncash Investing, Capital, and Financing Activities:							
Amortization of Premiums, Discounts, and net loss on debt refunding's	\$ 14,666						
Loss on disposal of capital assets	(5,075)						
Acquisition of software license under long term purchase contract	2,380						
Accruals of expenses related to construction in progress	75						
Unrealized gain on investment	179						
	<u>\$ 12,225</u>						

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

State of Connecticut

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2018

(Expressed in Thousands)

	<u>Pension & Other Employee Benefit Trust Funds</u>	<u>Investment Trust Fund External Investment Pool</u>	<u>Private- Purpose Trust Fund Escheat Securities</u>	<u>Agency Funds</u>	<u>Total</u>
Assets					
Current:					
Cash and Cash Equivalents	\$ 88,480	\$ -	\$ -	\$ 138,515	\$ 226,995
Receivables:					
Accounts, Net of Allowances	41,225	-	-	10,903	52,128
From Other Governments	885	-	-	-	885
From Other Funds	2,523	-	-	-	2,523
Interest	1,372	2,363	-	101	3,836
Inventories				11	11
Investments (See Note 3)	34,275,872	1,497,585	-	-	35,773,457
Securities Lending Collateral	2,597,918	-	-	-	2,597,918
Other Assets	-	47	3,259	330,323	333,629
Noncurrent:					
Due From Employers	19,113	-	-	-	19,113
Total Assets	<u>\$ 37,027,388</u>	<u>\$ 1,499,995</u>	<u>\$ 3,259</u>	<u>\$ 479,853</u>	<u>\$ 39,010,495</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 54,067	\$ 2,358	\$ -	\$ 47,078	103,503
Securities Lending Obligation	2,597,918	-	-	-	2,597,918
Due to Other Funds	1,834	-	-	379	2,213
Funds Held for Others	-	-	-	432,396	432,396
Total Liabilities	<u>\$ 2,653,819</u>	<u>\$ 2,358</u>	<u>\$ -</u>	<u>\$ 479,853</u>	<u>\$ 3,136,030</u>
Net Position					
Restricted for:					
Pension Benefits	\$ 33,465,407	\$ -	\$ -		\$ 33,465,407
Other Postemployment Benefits	908,162	-	-		908,162
Pool Participants	-	1,497,637	-		1,497,637
Individuals, Organizations, and Other Governments	-	-	3,259		3,259
Total Net Position	<u>\$ 34,373,569</u>	<u>\$ 1,497,637</u>	<u>\$ 3,259</u>		<u>\$ 35,874,465</u>

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

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Pension & Other Employee Benefit <u>Trust Funds</u>	Investment <u>Trust Fund</u> External <u>Investment Pool</u>	Private- Purpose <u>Trust Fund</u> Escheat <u>Securities</u>	<u>Total</u>
Additions				
Contributions:				
Plan Members	\$ 744,525	\$ -	\$ -	\$ 744,525
State	3,560,636	-	-	3,560,636
Municipalities	200,361	-	-	200,361
Total Contributions	<u>4,505,522</u>	<u>-</u>	<u>-</u>	<u>4,505,522</u>
Investment Income	2,441,624	26,046	-	2,467,670
Less: Investment Expense	<u>(132,092)</u>	<u>(501)</u>	<u>-</u>	<u>(132,593)</u>
Net Investment Income	<u>2,309,532</u>	<u>25,545</u>	<u>-</u>	<u>2,335,077</u>
Escheat Securities Received	-	-	46,617	46,617
Pool's Share Transactions	-	115,526	-	115,526
Other	4,461	-	-	4,461
Total Additions	<u>6,819,515</u>	<u>141,071</u>	<u>46,617</u>	<u>7,007,203</u>
Deductions				
Administrative Expense	8,045	-	-	8,045
Benefit Payments and Refunds	4,953,503	-	-	4,953,503
Escheat Securities Returned or Sold	-	-	44,035	44,035
Distributions to Pool Participants	-	25,544	-	25,544
Other	<u>279,862</u>	<u>-</u>	<u>1,152</u>	<u>281,014</u>
Total Deductions	<u>5,241,410</u>	<u>25,544</u>	<u>45,187</u>	<u>5,312,141</u>
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	1,578,105	-	-	1,578,105
Individuals, Organizations, and Other Governments	-	115,527	1,430	116,957
Net Position - Beginning	<u>32,795,464</u>	<u>1,382,110</u>	<u>1,829</u>	<u>34,179,403</u>
Net Position - Ending	<u>\$ 34,373,569</u>	<u>\$ 1,497,637</u>	<u>\$ 3,259</u>	<u>\$ 35,874,465</u>

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

State of Connecticut

STATEMENT OF NET POSITION COMPONENT UNITS

June 30, 2018

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 21,998	\$ 103,337	\$ 135,773	\$ 261,108
Investments	-	6,175	-	513,993	520,168
Receivables:					
Accounts, Net of Allowances	-	27,183	10,349	33,572	71,104
Loans, Net of Allowances	-	-	-	11,734	11,734
Other	-	1,325	-	559	1,884
Due From Other Governments	-	-	7,075	-	7,075
Due From Primary Government	-	-	2,970	1,098	4,068
Restricted Assets	858,364	-	3,331	321,065	1,182,760
Inventories	-	-	-	6,203	6,203
Other Current Assets	-	5,916	116	10,254	16,286
Total Current Assets	<u>858,364</u>	<u>62,597</u>	<u>127,178</u>	<u>1,034,251</u>	<u>2,082,390</u>
Noncurrent Assets:					
Investments	-	119,045	-	103,586	222,631
Accounts, Net of Allowances	-	-	-	39,671	39,671
Loans, Net of Allowances	-	-	-	77,893	77,893
Restricted Assets	4,743,563	-	129,624	369,276	5,242,463
Capital Assets, Net of Accumulated Depreciation	3,465	819	325,731	446,151	776,166
Other Noncurrent Assets	-	8,112	-	59,384	67,496
Total Noncurrent Assets	<u>4,747,028</u>	<u>127,976</u>	<u>455,355</u>	<u>1,095,961</u>	<u>6,426,320</u>
Total Assets	<u>\$ 5,605,392</u>	<u>\$ 190,573</u>	<u>\$ 582,533</u>	<u>\$ 2,130,212</u>	<u>\$ 8,508,710</u>
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ -	\$ 10,999	\$ -	\$ 10,999
Unamortized Losses on Bond Refundings	91,788	-	1,630	-	93,418
Related to Pensions & Other Postemployment Benefits	22,050	18,516	21,718	31,765	94,049
Other	-	-	-	38	38
Total Deferred Outflows of Resources	<u>\$ 113,838</u>	<u>\$ 18,516</u>	<u>\$ 34,347</u>	<u>\$ 31,803</u>	<u>\$ 198,504</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 23,071	\$ 9,492	\$ 20,713	\$ 68,521	\$ 121,797
Current Portion of Long-Term Obligations	277,831	6,663	7,225	18,471	310,190
Due To Primary Government	-	-	3,321	54,150	57,471
Amount Held for Institutions	-	-	-	227,870	227,870
Other Liabilities	-	40,490	5,801	-	46,291
Total Current Liabilities	<u>300,902</u>	<u>56,645</u>	<u>37,060</u>	<u>369,012</u>	<u>763,619</u>
Noncurrent Liabilities:					
Pension Liability	67,070	108,239	140,265	96,480	412,054
Noncurrent Portion of Long-Term Obligations	4,449,350	119,472	113,104	501,435	5,183,361
Total Noncurrent Liabilities	<u>4,516,420</u>	<u>227,711</u>	<u>253,369</u>	<u>597,915</u>	<u>5,595,415</u>
Total Liabilities	<u>\$ 4,817,322</u>	<u>\$ 284,356</u>	<u>\$ 290,429</u>	<u>\$ 966,927</u>	<u>\$ 6,359,034</u>
Other Deferred Inflows					
Unamortized Investment Earnings	\$ -	\$ -	\$ -	\$ 672	\$ 672
Related to Pensions & Other Postemployment Benefits	20,925	4,412	5,445	10,368	41,150
Other Deferred Inflows	-	-	-	7	7
Total Deferred Inflows of Resources	<u>\$ 20,925</u>	<u>\$ 4,412</u>	<u>\$ 5,445</u>	<u>\$ 11,047</u>	<u>\$ 41,829</u>
Net Position					
Net Investment in Capital Assets	\$ 3,465	\$ 819	\$ 218,031	\$ 243,749	\$ 466,064
Restricted:					
Debt Service	-	-	6,521	-	6,521
Bond Indentures	877,518	-	2,105	-	879,623
Expendable Endowments	-	-	-	124,058	124,058
Nonexpendable Endowments	-	-	-	476,949	476,949
Capital Projects	-	-	124,330	-	124,330
Other Purposes	-	(80,498)	-	114,702	34,204
Unrestricted (Deficit)	-	-	(29,981)	224,583	194,602
Total Net Position	<u>\$ 880,983</u>	<u>\$ (79,679)</u>	<u>\$ 321,006</u>	<u>\$ 1,184,041</u>	<u>\$ 2,306,351</u>

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

State of Connecticut

**STATEMENT OF ACTIVITIES
COMPONENT UNITS**

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Housing Finance Authority (12/31/17)	\$ 193,459	\$ 165,984	\$ -	\$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	\$ 1,854,223	\$ 1,825,355	\$ 6,384	\$ 14,537

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

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

State of Connecticut

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

Connecticut Housing Finance Authority (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
\$ (27,475)	\$ -	\$ -	\$ -	\$ (27,475)
-	(12,579)	-	-	(12,579)
-	-	25,507	-	25,507
-	-	-	6,600	6,600
<u>(27,475)</u>	<u>(12,579)</u>	<u>25,507</u>	<u>6,600</u>	<u>(7,947)</u>
41,796	6,287	1,582	32,898	82,563
<u>41,796</u>	<u>6,287</u>	<u>1,582</u>	<u>32,898</u>	<u>82,563</u>
14,321	(6,292)	27,089	39,498	74,616
866,662	(73,387)	293,917	1,144,543	2,231,735
<u>\$ 880,983</u>	<u>\$ (79,679)</u>	<u>\$ 321,006</u>	<u>\$ 1,184,041</u>	<u>\$ 2,306,351</u>

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Note 1

Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Reporting Entity

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

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

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

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

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

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

The State's major and nonmajor component units are:

Connecticut Housing Finance Authority (CHFA)

CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ended on December 31, 2017.

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. CHESLA is 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, formerly the Capital City Economic Development Authority markets major sports, convention, and exhibition venues in the region.

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 as a quasi-public agency to supersede the Connecticut Clean Energy Fund. CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)

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

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

University of Connecticut Foundation, Incorporated

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

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

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

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

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

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

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

Fund Financial Statements

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

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

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major enterprise funds:

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

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

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

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

Clean Water - This fund is used to account for resources used to provide grants and 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 Postemployment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other postemployment benefit plans which are described in notes 13 and 14.

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

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

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

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

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

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

Governmental Fund Financial Statements

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

e. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

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

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

Investments (see Note 3)

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

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.

- Investments of the External Investment Pool fund (an Investment Trust fund).

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

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

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

Inventories

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

Capital Assets and Depreciation

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

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

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

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

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

Securities Lending Transactions (see Note 3)

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

Escheat Property

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

Deferred Outflows of Resources

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

Unearned Revenues

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

Long-term Obligations

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

Capital Appreciation Bonds

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

Compensated Absences

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

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

f. Derivative Instruments

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

g. Deferred Inflows of Resources

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

h. Interfund Activities

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

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

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

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

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

i. Endowments

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

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

j. Supplemental Nutrition Assistance Program (SNAP)

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

k. External Investment Pool

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

l. Upcoming Accounting Pronouncements

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance concerning the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for fiscal years beginning after December 15, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. The purpose of this Statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. Also, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This Statement is effective for reporting periods beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement's objective are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

m. Use of Estimates

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

Note 2

Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2018, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
Transportation	\$ 718
Special Revenue	
Consumer Counsel & Public Utility Control	\$ 266
Insurance	\$ 1,782
Regional Market	\$ 90
Enterprise	
Bradley Parking Garage	\$ 13,589

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

The Consumer Counsel and Public Utility Control, Insurance and Regional Market funds deficit were because of additional expenditures this fiscal year and lower revenue collections. These deficits should be eliminated in the future.

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

Note 3

Cash Deposits and Investments

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

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

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

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

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

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

Primary Government

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

Short-Term Investment Fund (STIF)

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

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

STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments. As of June 30, 2018, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund		
Investment Type	Amortized Cost	Investment Maturities (in years)
		Less Than 1
Federal Agency Securities	\$ 1,395,827	\$ 1,395,827
Bank Commercial Paper	1,618,964	1,618,964
Repurchase Agreements	650,000	650,000
Total Investments	<u>\$ 3,664,791</u>	<u>\$ 3,664,791</u>

Interest Rate Risk

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, 2018, the weighted average maturity of STIF was 35 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 30 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2018, the amount of STIF's investments in variable-rate securities was \$1,680 million.

Credit Risk

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, 2018, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund				
Investment Type	Amortized Cost	Quality Ratings		
		AAA _m	AA+/A-1+	A/A-1
Federal Agency Securities	\$ 1,395,827	\$ -	\$ 1,395,827	\$ -
Corporate & Bank Commercial Paper	1,618,964	-	1,370,320	248,644
Repurchase Agreements	650,000	-	450,000	200,000
Total Investments	<u>\$ 3,664,791</u>	<u>\$ -</u>	<u>\$ 3,216,147</u>	<u>\$ 448,644</u>

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 AAA_m) 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, 2018, 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	\$ 632,327
Federal Farm Credit Bank	\$ 649,101
Commercial Paper & Corporate Securities	\$ 1,618,964
Merrill Lynch	\$ 200,000
RBC Capital Markets	\$ 450,000

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

STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificates of deposit 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, 2018, \$3,130,127 of the bank balance of STIF's deposits of \$3,131,627 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	2,488,402
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		641,725
Total	\$	3,130,127

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	Business-Type	Fiduciary
	Activities	Activities	Funds
Equity in the CIFS	\$ 115,546	\$ 640	\$ 34,275,872
Other Investments	1,130	65,404	1,497,585
Total Investments-Current	\$ 116,676	\$ 66,044	\$ 35,773,457

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

As of June 30, 2018, the CIFS had the following investments (amounts in thousands):

Investments by Fair Value Level	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 848,350	\$ 47	\$ 848,303	\$ -
Asset Backed Securities	260,196	-	260,196	-
Government Securities	3,661,834	1,264,152	2,397,682	-
Government Agency Securities	645,396	-	645,396	-
Mortgage Backed Securities	333,200	-	333,200	-
Corporate Debt	4,284,257	-	4,158,574	125,683
Convertible Securities	31,232	-	31,232	-
Common Stock	15,183,973	15,183,229	-	744
Preferred Stock	47,299	28,738	18,561	-
Real Estate Investment Trust	327,950	266,670	61,280	-
Mutual Fund	1,529,260	1,529,260	-	-
Limited Partnerships	1,948	1,948	-	-
Total	\$ 27,154,895	\$ 18,274,044	\$ 8,754,424	\$ 126,427

Investments Measured by Net Asset Value (NAV)

	Unfunded	Redemption	Redemption
	Commitments	Frequency	Notice Period
Limited Liability Corporation	1,156	\$ -	Illiquid
Limited Partnerships	7,212,625	2,346,469	Illiquid
Total	7,213,781	\$ 2,346,469	N/A
Total Investments in Securities at Fair Value	\$ 34,368,676		N/A

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 CIFS' investments. The investments include short-term cash equivalents including certificates of deposit and collateral, long-term investments and restricted assets by maturity in years (amounts in thousands):

Combined Investment Funds					
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	\$ 848,350	\$ 848,350	\$ -	\$ -	\$ -
Asset Backed Securities	260,196	(20)	90,406	80,632	89,178
Government Securities	3,661,834	182,298	1,502,443	813,202	1,163,891
Government Agency Securities	645,396	34,992	43,568	29,318	537,518
Mortgage Backed Securities	333,200	3,546	56,110	30,389	243,155
Corporate Debt	4,284,257	1,366,686	1,540,615	1,015,630	361,326
Convertible Debt	31,232	559	7,393	10,342	12,938
	<u>\$ 10,064,465</u>	<u>\$ 2,436,411</u>	<u>\$ 3,240,535</u>	<u>\$ 1,979,513</u>	<u>\$ 2,408,006</u>

Credit Risk

The CIFS minimize 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, 2018, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds								
	Fair Value	Asset			Mortgage		Corporate Debt	Convertible Debt
		Cash Equivalents	Backed Securities	Government Securities	Government Agency Securities	Backed Securities		
Aaa	\$ 2,476,345	\$ -	\$ 184,538	\$ 1,505,804	\$ 503,975	\$ 212,661	\$ 69,367	\$ -
Aa	683,693	5,809	1,953	419,447	-	2,305	254,179	-
A	822,926	5,170	3,352	483,844	-	3,013	327,547	-
Baa	844,884	-	3,376	426,795	-	303	414,410	-
Ba	842,978	-	978	250,481	-	-	580,648	10,871
B	950,296	-	-	178,461	-	-	771,276	559
Caa	444,618	-	-	32,051	-	63	412,016	488
Ca	3,980	-	-	-	-	-	3,980	-
C	30,106	-	-	23,463	-	-	6,643	-
Prime 1	698,276	98,893	-	-	-	-	599,383	-
Prime 2	70,027	-	-	-	-	-	70,027	-
Prime 3	20,681	-	-	-	-	-	20,681	-
Government fixed not rated	159,772	-	-	18,351	141,421	-	-	-
Non Government fixed not rated	323,137	-	-	323,137	-	-	-	-
Not Rated	1,692,746	738,478	65,999	-	-	114,855	754,100	19,314
	<u>\$ 10,064,465</u>	<u>\$ 848,350</u>	<u>\$ 260,196</u>	<u>\$ 3,661,834</u>	<u>\$ 645,396</u>	<u>\$ 333,200</u>	<u>\$ 4,284,257</u>	<u>\$ 31,232</u>

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay

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June 30, 2018

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, 2018, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds										
Foreign Currency	Total	Fixed Income Securities						Equities		Real Estate Investment Trust Fund
		Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	
Argentine Peso	\$ 8,484	\$ 128	\$ -	\$ 7,676	\$ 680	\$ -	\$ -	\$ -	\$ -	\$ -
Australian Dollar	413,205	902	-	74,622	7,449	-	-	313,811	-	16,421
Brazilian Real	144,229	6	-	92,493	-	61	-	51,150	519	-
Canadian Dollar	146,323	2,395	10,979	27,528	-	(24)	-	104,690	-	755
Chilean Peso	17,905	-	-	13,085	-	-	-	4,820	-	-
Colombian Peso	63,859	909	-	61,342	1,510	-	-	98	-	-
Czech Koruna	11,588	-	-	11,588	-	-	-	-	-	-
Danish Krone	114,298	201	-	1,064	-	-	-	113,033	-	-
Dominican Rep Peso	4,452	-	-	4,452	-	-	-	-	-	-
Egyptian Pound	23,882	17,405	-	4,591	-	-	-	1,886	-	-
Euro Currency	2,263,544	9,333	-	230,051	19,917	(133)	-	1,974,339	18,875	11,162
Ghanaian Cedi	1,427	-	-	-	1,427	-	-	-	-	-
Hong Kong Dollar	671,898	(151)	-	-	-	-	-	668,241	-	3,808
Hungarian Forint	63,076	811	-	24,459	-	-	-	37,806	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	5,949	-	-	270	5,679	-	-	-	-	-
Indonesian Rupiah	91,768	1,760	-	41,373	45,931	-	-	2,704	-	-
Israeli Shekel	42,265	17	-	-	-	-	-	42,248	-	-
Japanese Yen	1,370,815	5,610	-	50,966	-	120	-	1,307,199	-	6,920
Kazakhstan Tenge	6,026	-	-	-	6,026	-	-	-	-	-
Georgian Lari	1,848	-	-	-	1,848	-	-	-	-	-
Malaysian Ringgit	87,957	607	-	87,085	-	9	-	256	-	-
Mexican Peso	183,022	1,066	-	176,104	5,929	(150)	-	73	-	-
New Zealand Dollar	110,392	499	-	94,018	694	(95)	-	15,276	-	-
Nigerian Naira	8,842	3,109	-	-	5,562	-	-	171	-	-
Norwegian Krone	49,242	85	-	-	237	-	-	48,920	-	-
Peruvian Nouveau Sol	30,029	22	-	23,590	6,417	-	-	-	-	-
Philippine Peso	1,447	-	-	1,447	-	-	-	-	-	-
Polish Zloty	162,453	259	-	90,007	-	1	-	72,186	-	-
Pound Sterling	1,223,684	2,351	106	258,745	4,875	(71)	985	939,362	-	17,331
Romanian Leu	14,263	-	-	14,263	-	-	-	-	-	-
Russian Ruble	71,739	122	-	71,617	-	-	-	-	-	-
Singapore Dollar	131,883	80	-	25,129	-	-	-	103,890	-	2,784
South African Rand	184,298	530	-	85,516	2,985	-	-	95,267	-	-
South Korean Won	358,179	69	-	-	-	-	-	351,268	6,842	-
Sri Lanka Rupee	3,899	-	-	-	3,899	-	-	-	-	-
Swedish Krona	160,132	198	-	4,212	-	-	-	155,722	-	-
Swiss Franc	436,611	507	-	-	-	-	-	436,104	-	-
Thailand Baht	84,763	310	-	36,892	-	-	-	47,561	-	-
Turkish Lira	51,194	-	-	35,943	-	-	-	15,251	-	-
Ukraine Hryvna	8,827	-	-	-	8,827	-	-	-	-	-
Uruguayan Peso	3,493	-	-	3,493	-	-	-	-	-	-
	<u>\$ 8,833,192</u>	<u>\$ 49,142</u>	<u>\$ 11,085</u>	<u>\$ 1,653,621</u>	<u>\$ 129,892</u>	<u>\$ (282)</u>	<u>\$ 985</u>	<u>\$ 6,903,332</u>	<u>\$ 26,236</u>	<u>\$ 59,181</u>

Derivatives

As of June 30, 2018, the CIFS held the following derivative investments (amounts in thousands):

	2018	2017
	Fair Value	Fair Value
Adjustable Rate Securities	\$ 724,765	\$ 652,183
Asset Backed Securities	257,317	255,114
Mortgage Backed Securities	269,910	215,946
Collateralized Mortgage Obligations	63,289	64,633
Forward Mortgage Backed Securities (TBA's)	140,844	118,185
Interest Only	341	470
Options	(179)	775
Total	\$ 1,456,287	\$ 1,307,306

The Inflation Linked Bond Fund held futures with a notional cost of \$6,800. Also, the Core Fixed Income held futures with a notional cost of \$109,624. The High Yield Debt Fund held futures with a negative notional cost of (\$3,212), the Developed Market International Stock held futures with a notional cost of \$61,021. The Emerging Market Debt also held futures with a negative notional cost of (\$29,221).

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, 2018, the fair value of contracts to buy and contracts to sell was \$9.5 billion and \$9.4 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, 2018, the CIFS had deposits with a bank balance of \$106.0 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, 2018, UConn had the following recurring fair value measurements. (amounts in thousands):

Fair Value Measurements				
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents	\$ 834	\$ 834	\$ -	\$ -
Fixed Income Securities	1,719	1,719	-	-
Equity Securities	10,929	10,176	753	-
Total	\$ 13,482	\$ 12,729	\$ 753	\$ -
Investments Measured by Net Asset Value (NAV)		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Private Capital Partnerships	\$ 1,164	\$ 219	N/A	N/A
Private Real Estate Partnerships	66	39	N/A	N/A
Natural Resource Partnerships	526	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	878	-	N/A	N/A
Other	469	-	N/A	N/A
Total	3,104	\$ 344		
Total Investments in Securities at Fair Value	\$ 16,586			

As of June 30, 2018, the State had other investments and maturities as follows (amounts in thousands):

Investment Type	Other Investments			
	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	6-10
State Bonds	\$ 54,397	\$ -	\$ 4,160	\$ 50,237
U.S. Government and Agency Securities	341,872	83,827	4,847	253,198
Guaranteed Investment Contracts	62,798	-	43,882	18,916
Money Market Funds	13,734	13,734	-	-
Total Debt Investments	472,801	\$ 97,561	\$ 52,889	\$ 322,351
Endowment Pool	15,044			
Corporate Stock	1,073			
Other Investments	469			
Total Investments	\$ 489,387			

Credit Risk

As of June 30, 2018, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Investment Type	Other Investments				
	Fair Value	Quality Ratings			
		AA	A	BBB	Unrated
State Bonds	\$ 54,397	\$ 3,030	\$ 51,367	\$ -	\$ -
U.S. Government and Agency Securities	258,562	258,562	-	-	-
Guaranteed Investment Contracts	62,798	14,565	17,221	12,960	18,052
Money Market Funds	13,734	-	-	-	13,734
Total	\$ 389,491	\$ 276,157	\$ 68,588	\$ 12,960	\$ 31,786

Connecticut State Universities reported \$84 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, 2018, \$165,522 of the bank balance of the Primary Government of \$168,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 88,879
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	76,643
Total	\$ 165,522

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2017 and June 30, 2018, respectively (amounts in thousands):

Investment Type	Major Component Units				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 474	\$ -	\$ -	\$ 474	\$ -
GNMA & FNMA Program Assets	1,603,090	-	-	1,099	1,601,991
Mortgage Backed Securities	509	-	-	69	440
Money Market	9,045	9,045	-	-	-
Municipal Bonds	58,479	316	1,867	2,457	53,839
STIF	631,881	631,881	-	-	-
Structured Securities	279	-	-	-	279
U.S. Government Agency Securities	878	-	-	-	878
Total Debt Investments	2,304,635	\$ 641,242	\$ 1,867	\$ 4,099	\$ 1,657,427
Annuity Contracts	125,220				
Total Investments	\$ 2,429,855				

The CHFA and the CLC own 94.8 percent and 5.2 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, 2017 as follows (amounts in thousands):

Investment Type	Component Units				
	Fair Value	AAA	Quality Ratings		
			CCC	D	Unrated
Collateralized Mortgage Obligations	\$ 474	\$ -	\$ 474	\$ -	\$ -
Municipal Bonds	58,479	-	-	-	58,479
Money Market	9,045	-	-	-	9,045
STIF	631,881	631,881	-	-	-
Structured Securities	279	-	-	279	-
Total	<u>\$ 700,158</u>	<u>\$ 631,881</u>	<u>\$ 474</u>	<u>\$ 279</u>	<u>\$ 67,524</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, 2017, 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 CIFS are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The CIFS' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

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

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were \$2,605.1 million and \$2,556.6 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 21.06 days and an average weighted maturity of 47.26 days.

Note 4

Receivables-Current

As of June 30, 2018, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 2,227,247	\$ -	\$ -
Accounts	1,162,781	453,576	77,125
Loans-Current Portion	-	226,861	11,734
Other Governments	968,599	6,943	7,075
Interest	3,287	2,030	1,344
Other (1)	381	1,952	540
Total Receivables	4,362,295	691,362	97,818
Allowance for Uncollectibles	(921,419)	(90,003)	(6,021)
Receivables, Net	\$ 3,440,876	\$ 601,359	\$ 91,797

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

Note 5

Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2018 (amounts in thousands):

	Governmental Activities			Total
	General	Transportation		
	Fund	Fund		
Sales and Use	\$ 818,446	\$ -	\$ 818,446	
Income Taxes	662,502	-	662,502	
Corporations	24,469	-	24,469	
Gasoline and Special Fuel	-	190,705	190,705	
Various Other	531,125	-	531,125	
Total Taxes Receivable	2,036,542	190,705	2,227,247	
Allowance for Uncollectibles	(235,595)	(95)	(235,690)	
Taxes Receivable, Net	\$ 1,800,947	\$ 190,610	\$ 1,991,557	

Note 6

Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2018, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	\$ -	\$ -	\$ 39,671
Loans	1,047,102	1,113,123	91,581
Total Receivables	1,047,102	1,113,123	131,252
Allowance for Uncollectibles	(22,438)	-	(13,688)
Receivables, Net	\$ 1,024,664	\$ 1,113,123	\$ 117,564

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

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

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was \$104.4 million.

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2018, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	\$ 901,920	\$ -	\$ -	\$ -	\$ 901,920
Total-Governmental Activities	\$ 901,920	\$ -	\$ -	\$ -	\$ 901,920
Business-Type Activities:					
UConn/Health Center	\$ 358,386	\$ -	\$ -	\$ -	\$ 358,386
Clean Water	82,850	106,899	-	-	189,749
Other Proprietary	61,973	7,819	-	-	69,792
Total-Business-Type Activities	\$ 503,209	\$ 114,718	\$ -	\$ -	\$ 617,927
Component Units:					
CHFA	\$ 533	\$ 2,304,635	\$ 3,193,257	\$ 103,502	\$ 5,601,927
CAA	-	129,802	-	3,153	132,955
Other Component Units	56,845	296,569	332,017	4,910	690,341
Total-Component Units	\$ 57,378	\$ 2,731,006	\$ 3,525,274	\$ 111,565	\$ 6,425,223

Note 8 Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2018, 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	\$ 148,895	\$ 223,882	\$ -	\$ -	\$ 372,777
Transportation	14,771	14,274	-	-	29,045
Restricted Accounts	191,917	11,443	-	-	203,360
Grants and Loans	8,896	115	-	8,661	17,672
Other Governmental	88,119	6,483	-	-	94,602
Internal Service	618	882	-	-	1,500
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,523	689	240,212
Total-Governmental Activities	\$ 453,216	\$ 257,079	\$ 239,523	\$ 9,350	\$ 959,168
Business-Type Activities:					
UConn/Health Center	\$ 110,590	\$ 96,053	\$ -	\$ 49,227	\$ 255,870
Board of Regents	21,159	92,225	2,251	1,980	117,615
Other Proprietary	8,371	-	12,430	1,960	22,761
Total-Business-Type Activities	\$ 140,120	\$ 188,278	\$ 14,681	\$ 53,167	\$ 396,246
Component Units:					
CHFA	\$ -	\$ -	\$ 16,105	\$ 6,966	\$ 23,071
Connecticut Lottery Corporation	8,167	-	1,325	-	9,492
Connecticut Airport Authority	7,407	5,332	1,074	6,900	20,713
Other Component Units	1,476	-	858	66,187	68,521
Total-Component Units	\$ 17,050	\$ 5,332	\$ 19,362	\$ 80,053	\$ 121,797

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	\$ 1,788,392	\$ 45,138	\$ 273	\$ 1,833,257
Construction in Progress	4,988,440	1,187,319	1,122,491	5,053,268
Total Capital Assets not being Depreciated	6,776,832	1,232,457	1,122,764	6,886,525
Capital Assets being Depreciated:				
Buildings	4,620,423	23,541	10,577	4,633,387
Improvements Other than Buildings	472,649	2,847	2,229	473,267
Equipment	2,621,857	134,130	142,890	2,613,097
Infrastructure	15,597,928	1,009,680	-	16,607,608
Total Other Capital Assets at Historical Cost	23,312,857	1,170,198	155,696	24,327,359
Less: Accumulated Depreciation For:				
Buildings	1,784,824	115,835	10,577	1,890,082
Improvements Other than Buildings	345,558	23,849	2,229	367,178
Equipment	2,572,935	138,074	142,890	2,568,119
Infrastructure	10,501,941	453,956	-	10,955,897
Total Accumulated Depreciation	15,205,258	731,714	155,696	15,781,276
Other Capital Assets, Net	8,107,599	438,484	-	8,546,083
Governmental Activities, Capital Assets, Net	\$ 14,884,431	\$ 1,670,941	\$ 1,122,764	\$ 15,432,608

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 4,930
General Government	21,275
Regulation and Protection	24,420
Conservation and Development	10,869
Health and Hospitals	9,784
Transportation	576,786
Human Services	959
Education, Libraries and Museums	30,396
Corrections	27,211
Judicial	16,807
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	8,277
Total Depreciation Expense	\$ 731,714

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 68,625	\$ 18	\$ -	\$ 68,643
Construction in Progress	877,344	243,818	397,622	723,540
Total Capital Assets not being Depreciated	945,969	243,836	397,622	792,183
Capital Assets being Depreciated:				
Buildings	5,596,311	486,213	9,397	6,073,127
Improvements Other Than Buildings	430,629	18,936	-	449,565
Equipment	1,057,388	152,921	104,990	1,105,319
Total Other Capital Assets at Historical Cost	7,084,328	658,070	114,387	7,628,011
Less: Accumulated Depreciation For:				
Buildings	2,211,146	171,160	6,601	2,375,705
Improvements Other Than Buildings	233,564	14,990	-	248,554
Equipment	713,231	73,405	91,442	695,194
Total Accumulated Depreciation	3,157,941	259,555	98,043	3,319,453
Other Capital Assets, Net	3,926,387	398,515	16,344	4,308,558
Business-Type Activities, Capital Assets, Net	\$ 4,872,356	\$ 642,351	\$ 413,966	\$ 5,100,741

Component Units

Capital assets of the component units consisted of the following as of June 30, 2018 (amounts in thousands):

Land	\$	59,409
Buildings		705,677
Improvements other than Buildings		324,894
Machinery and Equipment		605,759
Construction in Progress		39,724
Total Capital Assets		1,735,463
Accumulated Depreciation		959,297
Capital Assets, Net	\$	776,166

Note 10

State Retirement Systems

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

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 are elected by teacher membership and five public members are 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, to be non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

a. Plan Descriptions and Funding Policy

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

	SERS 6/30/2018	TRS 6/30/2018	JRS 6/30/2018
Inactive Members or their			
Beneficiaries receiving benefits	50,441	37,446	284
Inactive Members Entitled to but			
not yet Receiving Benefits	1,281	2,194	3
Active Members	49,153	50,594	209

State Employees' Retirement System

Plan Description

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

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above

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

Teachers' Retirement System

Plan Description

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

Funding Policy

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

Judicial Retirement System

Plan Description

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

Funding Policy

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

b. Investments

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

<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%	21.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	18.0%	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%	7.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	11.0%	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%	7.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	5.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	5.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	3.0%	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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 7.30 percent, 7.04 percent, and 6.14 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, 2017 were as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Total Pension Liability	\$ 33,053	\$ 30,637	\$ 448
Fiduciary Net Position	11,982	17,134	210
Net Pension Liability	<u>\$ 21,071</u>	<u>\$ 13,503</u>	<u>\$ 238</u>
Ratio of Fiduciary Net Position to Total Pension Liability	36.25%	55.93%	46.91%

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, 2018 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

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

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

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

	<u>1% Decrease in Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Rate</u>
SERS Net Pension Liability	\$ 24,368	\$ 21,071	\$ 16,963
TRS Net Pension Liability	\$ 16,901	\$ 13,502	\$ 10,629
JRS Net Pension Liability	\$ 269	\$ 238	\$ 183

c. GASB Statement 68 Employer Reporting**Employer Contributions**

The following table presents the primary government's and component units' contributions recognized by the pension plans at the reporting date June 30, 2018 (amounts in thousands):

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>Total</u>
Primary Government	\$ 1,425,153	\$ 1,271,033	\$ 25,458	\$ 2,721,644
Component Units	17,900	-	-	17,900
Total Employer Contributions	<u>\$ 1,443,053</u>	<u>\$ 1,271,033</u>	<u>\$ 25,458</u>	<u>\$ 2,739,544</u>

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

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

	<u>Primary Government</u>	<u>Component Units</u>
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	\$ 20,826,368	\$ 244,547
Net Pension Liability		
Teachers' Retirement System	13,502,320	-
Judicial Retirement System	237,800	-
Total Net Pension Liability	<u>\$ 34,566,488</u>	<u>\$ 244,547</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, 2017 as follows:

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2016	98.84%	1.16%

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

	Primary Government	Component Units
Pension Expense		
State Employees' Retirement System	\$ 1,397,929	\$ 13,113
Teachers' Retirement System	1,561,824	-
Judicial Retirement System	38,814	-
	<u>\$ 2,998,567</u>	<u>\$ 13,113</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ 39,767	\$ -	\$ 467
Difference Between Expected and Actual Experience	497,200	-	5,838	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	12,010	23,418
Change in Assumptions	3,191,098	-	37,471	-
Employer Contributions Subsequent to Measurement Date	1,425,153	-	17,900	-
Total	<u>\$ 5,113,451</u>	<u>\$ 39,767</u>	<u>\$ 73,219</u>	<u>\$ 23,885</u>
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	\$ 265,437		
Difference Between Expected and Actual Experience	183,836	-		
Change in Assumptions	1,563,208	-		
Employer Contributions Subsequent to Measurement Date	1,271,033	-		
Total	<u>\$ 3,018,077</u>	<u>\$ 265,437</u>		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 12,252	\$ 11,169		
Difference Between Expected and Actual Experience	-	4,724		
Change in Assumptions	32,542			
Employer Contributions Subsequent to Measurement Date	25,458	-		
Total	<u>\$ 70,252</u>	<u>\$ 15,893</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		
	Primary	Component
Year Ending June 30	Government	Units
2019	\$ 971,619	\$ 8,107
2020	1,112,945	9,767
2021	1,006,326	8,497
2022	569,633	4,479
2023	-	584
	<u>\$ 3,660,523</u>	<u>\$ 31,434</u>

Teachers' Retirement System	
	Primary
Year Ending June 30	Government
2019	\$ 313,672
2020	527,839
2021	347,489
2022	74,064
2023-2024	218,543
	<u>\$ 1,481,607</u>

Judges' Retirement System	
	Primary
Year Ending June 30	Government
2019	\$ 14,193
2020	16,162
2021	846
2022	(2,300)
2023	-
	<u>\$ 28,901</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2018	6/30/2018	6/30/2018
Inflation	3.50%	2.75%	2.3% - 4.75%
Salary Increases	3.5%-19.5%	3.25%-6.50%	4.50%
Investment Rate of Return	6.90%	8.0%	6.90%

The actuarial assumptions used in the June 30, 2018 SERS and JRS reported mortality rates based on the RP-2014 Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2018 TRS actuarial report were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Changes in Net Pension Liability

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

Total Pension Liability	SERS	TRS	JRS
Service Cost	\$ 480,350	\$ 450,563	\$ 10,159
Interest	2,255,533	2,308,693	29,062
Benefit Changes	(1,444,220)	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Refunds of Contributions	(7,972)	-	-
Net change in total pension liability	(564,024)	796,723	14,322
Total pension liability - beginning (a)	33,616,716	29,839,923	433,603
Total pension liability - ending (c)	\$ 33,052,692	\$ 30,636,646	\$ 447,925
Plan fiduciary net position			
Contributions - employer	\$ 1,542,298	\$ 1,012,162	\$ 19,164
Contributions - member	132,557	288,251	1,689
Net investment income	1,509,862	2,199,895	24,452
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Other	(9,017)	1,679	(39)
Net change in plan fiduciary net position	1,327,985	1,539,454	20,367
Plan net position - beginning (b)	10,653,792	15,594,872	189,758
Plan net position - ending (d)	\$ 11,981,777	\$ 17,134,326	\$ 210,125
Net pension liability - beginning (a)-(b)	\$ 22,962,924	\$ 14,245,051	\$ 243,845
Net pension liability - ending (c)-(d)	\$ 21,070,915	\$ 13,502,320	\$ 237,800

d. Defined Contribution Plan

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

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed \$33.7 million and \$49.1 million, respectively.

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

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

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following to date of the latest actuarial information:

	MERS	CPJERS
Retirees and beneficiaries receiving benefits	7,448	372
Terminated plan members entitled to but not receiving benefits	1,165	132
Active plan members	10,096	365
Total	18,709	869
Number of participating employers	191	1

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

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

Funding Policy

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

b. Investment Policy

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

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

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

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

The components of the net pension liability for MERS at June 30, 2017 were as follows (amounts in millions):

	MERS
Total Pension Liability	\$ 2,982
Fiduciary Net Position	2,734
Net Pension Liability	\$ 248
Ratio of Fiduciary Net Position to Total Pension Liability	91.68%

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):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	\$ 612	\$ 248	\$ (58)

Deferred outflows and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Employees Retirement System		
Difference Between Expected and Actual Experience	\$ 29,743	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,564	-
Employer Contributions Subsequent to Measurement Date	198,494	-
	<u>\$ 264,801</u>	<u>\$ -</u>

Amounts recognized in subsequent fiscal years:

<u>Year Ending June 30</u>	<u>MERS</u>
2019	\$ 23,232
2020	44,669
2021	19,935
2022	(21,529)

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, 2017 is as follows (amounts in thousands):

Service Cost	\$ 76,056
Interest on the total pension liability	221,010
Expensed portion of current-period difference between expected and actual experience in the total pension liability	-
Member Contributions	(27,377)
Projected earnings on plan investments	(176,182)
Expensed portion of current period differences between projected and actual earnings on plan investments	(21,529)
Other	(524)
Recognition of beginning deferred outflows of resources as pension expense	44,762
Collective Pension Expense	<u>\$ 116,216</u>

Actuarial Assumptions

The total pension liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	2.50%
Salary increase	3.5-10.0%, including inflation
Investment rate of return	7.00%, net of investment related expenses

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

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

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

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

Funding

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

Pension Liability

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

Note 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, 2018 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (thousands)							
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	\$ 8,348	\$ 6,397	\$ 50	\$ 1,760	\$ 11	\$ 375	\$ 16,941
Receivables:							
Accounts, Net of Allowances	11,402	12,108	8	17,703	4	-	41,225
From Other Governments	-	885	-	-	-	-	885
From Other Funds	538	25	-	36	-	2	601
Interest	334	1,008	3	24	2	-	1,371
Investments	12,506,984	17,936,760	222,747	2,627,389	99,881	1,932	33,395,693
Securities Lending Collateral	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Noncurrent:							
Due From Employers	-	-	-	19,113	-	-	19,113
Total Assets	\$ 13,481,156	\$ 19,259,461	\$ 243,884	\$ 2,913,551	\$ 109,552	\$ 2,490	\$ 36,010,094
Liabilities							
Accounts Payable and Accrued Liabilities	\$ 64	\$ 8,510	\$ -	\$ -	\$ 14	\$ -	\$ 8,588
Securities Lending Obligation	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Due to Other Funds	-	1,834	-	-	-	-	1,834
Total Liabilities	\$ 953,614	\$ 1,312,622	\$ 21,076	\$ 247,526	\$ 9,668	\$ 181	\$ 2,544,687
Net Position							
Held in Trust For Employee							
Pension Benefits	\$ 12,527,542	\$ 17,946,839	\$ 222,808	\$ 2,666,025	\$ 99,884	\$ 2,309	\$ 33,465,407
Total Net Assets	\$ 12,527,542	\$ 17,946,839	\$ 222,808	\$ 2,666,025	\$ 99,884	\$ 2,309	\$ 33,465,407
Statement of Changes in Fiduciary Net Position (thousands)							
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	\$ 193,942	\$ 312,150	\$ 1,663	\$ 24,995	\$ 233	\$ 44	\$ 533,027
State	1,443,053	1,271,033	25,458	-	-	-	2,739,544
Municipalities	-	1,244	-	198,484	-	-	199,728
Total Contributions	1,636,995	1,584,427	27,121	223,479	233	44	3,472,299
Investment Income	926,057	1,295,010	13,932	158,307	6,130	115	2,399,551
Less: Investment Expenses	(50,113)	(70,079)	(754)	(8,567)	(332)	(6)	(129,851)
Net Investment Income	875,944	1,224,931	13,178	149,740	5,798	109	2,269,700
Other	-	-	-	50	4,220	5	4,275
Total Additions	2,512,939	2,809,358	40,299	373,269	10,251	158	5,746,274
Deductions							
Administrative Expense	391	-	-	-	-	-	391
Benefit Payments and Refunds	1,963,644	1,994,092	27,580	167,153	5,438	-	4,157,907
Other	3,139	2,753	36	273,875	-	-	279,803
Total Deductions	1,967,174	1,996,845	27,616	441,028	5,438	-	4,438,101
Changes in Net Assets	545,765	812,513	12,683	(67,759)	4,813	158	1,308,173
Net Position Held in Trust For							
Employee Pension Benefits:							
Beginning of Year (as restated)	11,981,777	17,134,326	210,125	2,733,784	95,071	2,151	32,157,234
End of Year	\$ 12,527,542	\$ 17,946,839	\$ 222,808	\$ 2,666,025	\$ 99,884	\$ 2,309	\$ 33,465,407

Note 13

Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). This year the State adapted the Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*.

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

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following to date of the latest actuarial information:

	<u>SEOPEBP</u>	<u>RTHP</u>
Inactive Members or their		
Beneficiaries receiving benefits	74,579	40,633
Inactive Members Entitled to but		
not yet Receiving Benefits	256	10,684
Active Members	49,538	50,594

State Employee OPEB Plan

Plan Description

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

Funding Policy

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

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183t of the General Statutes.

Funding Policy

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

b. Investments

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

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

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

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

Net OPEB Liability

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

	SEOPEBP	RTHP
Total OPEB Liability	\$ 17,904,922	\$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	\$ 17,362,580	\$ 3,475,344
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%	1.79%

Actuarial Assumptions

The total OPEB liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP	RTHP
Payroll growth rate	3.50%	2.75%
Salary increase	3.25% to 19.5% varying by years of service & retirement system	3.25%-6.5%
Discount Rate	3.68%	
Investment rate of return		3.00%, net of OPEB plan investment expense including price inflation
Healthcare cost trend rates	8% for drug cost graded to 4.5% over 7 years 6% for medical graded to 4.5% over 4 years 4.5% for dental 3.0% for administrative expense	5.95% decreasing to 4.75% by year 2022

Mortality rates for the State Employees OPEB Plan were based on the RP-2014 White Collar Mortality Table projected by Scale BB at 100% for males and 95% for females.

Mortality rates for the State Teachers Retirement System were based on Headcount-Weighted RP-2014 White Collar Mortality Table with employee and annuitant rates blended from ages 50 to 80 projected to year 2020 under Scale BB and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. State Employees OPEB disabled participants mortality rates were based on the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females. State Teachers Retirement System disabled participants mortality rates were based on Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected to 2017 with Scale BB.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.68 and 3.56 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

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

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

	<u>SEOPEBP</u>		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>2.68%</u>	<u>3.68%</u>	<u>4.68%</u>
SEOPEBP:			
Primary Government Net OPEB Liability	\$ 19,866,141	\$ 17,115,654	\$ 14,887,173
Component Units Net OPEB Liability	286,607	246,926	214,776
	<u>RTHP</u>		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	<u>2.56%</u>	<u>3.56%</u>	<u>4.56%</u>
RTHP Net OPEB Liability	\$ 4,188,346	\$ 3,475,344	\$ 2,914,719

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

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

	<u>SEOPEBP</u>		
	1% Decrease in Trend Rates	Current Discount Rate (3.68%)	1% Increase in Trend Rates
SEOPEBP:			
Primary Government Net OPEB Liability	\$ 14,708,789	\$ 17,115,654	\$ 20,164,835
Component Units Net OPEB Liability	212,202	246,926	290,916
	<u>RTHP</u>		
	1% Decrease	Current	1% Increase
RTHP Net OPEB Liability	\$ 2,861,462	\$ 3,475,344	\$ 4,301,861

c. GASB Statement 75 Employer Reporting Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at the reporting date June 30, 2018 (amounts in thousands):

	<u>SEOPEBP</u>	<u>RTHP</u>	<u>Total</u>
Primary Government	\$ 792,401	\$ 19,199	\$ 811,600
Component Units	9,492	-	9,492
Total Employer Contributions	<u>\$ 801,893</u>	<u>\$ 19,199</u>	<u>\$ 821,092</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employees Benefits

As of the measurement date June 30, 2017, the primary government and component units reported net OPEB 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 OPEB Liability		
State Employees' OPEB Plan	\$ 17,115,654	\$ 246,926
Net OPEB Liability		
Retired Teachers' Health Plan	3,475,344	-
Total Net OPEB Liability	<u>\$ 20,590,998</u>	<u>\$ 246,926</u>

The primary government's and component units' proportions of the collective net OPEB liability for the State Employees' OPEB Plan as of the measurement date June 30, 2017 as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
State Employees' OPEB Plan		
Proportion-June 30, 2017	98.58%	1.42%

For the measurement date June 30, 2017, the primary government and component units' recognized OPEB expense for the following OPEB plan administered by the State as follows (amounts in thousands):

	<u>Primary Government</u>	<u>Component Units</u>
OPEB Expense		
State Employees' OPEB Plan	\$ 1,206,289	\$ 17,460
Retired Teachers' Health Plan	161,065	-
	<u>\$ 1,367,354</u>	<u>\$ 17,460</u>

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans from the following sources:

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
State Employees' OPEB Plan				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	\$ -	\$ 19,375	\$ -	\$ 279
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	250	3,280	3,030
Change in Assumptions	-	410,617	-	5,924
Employer Contributions Subsequent to Measurement Date	792,401	-	9,492	-
Total	<u>\$ 792,401</u>	<u>\$ 430,242</u>	<u>\$ 12,772</u>	<u>\$ 9,233</u>
Retired Teachers' Health Plan				
Difference Between Expected and Actual Experience	\$ 1,210	\$ -		
Change in Assumptions	-	324,172		
Employer Contributions Subsequent to Measurement Date	19,199	-		
Total	<u>\$ 20,409</u>	<u>\$ 324,172</u>		

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

State Employees' OPEB Plan		
Year Ending June 30	Primary	Component
	Government	Units
2019	\$ (97,799)	\$ (1,354)
2020	(97,799)	(1,354)
2021	(97,799)	(1,353)
2022	(97,802)	(1,353)
2023	(39,043)	(539)
	<u>\$ (430,242)</u>	<u>\$ (5,953)</u>

Retired Teachers' Health Plan	
Year Ending June 30	Primary
	Government
2018	\$ (46,075)
2019	(46,075)
2020	(46,074)
2021	(46,074)
2022	(46,377)
Thereafter	(92,287)
	<u>\$ (322,962)</u>

Changes in Net OPEB Liability

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

	SEOPEBP	RTHP
Total OPEB Liability		
Service Cost	\$ 960,992	\$ 148,220
Interest	511,133	111,129
Benefit Changes	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	(510,781)	(370,549)
Benefit payments	<u>(639,467)</u>	<u>(84,071)</u>
Net change in total OPEB liability	321,877	(195,271)
Total OPEB liability - beginning	<u>17,583,045</u>	<u>3,734,043</u>
Total OPEB liability - ending (a)	<u>\$ 17,904,922</u>	<u>\$ 3,538,772</u>
Plan fiduciary net position		
Contributions - employer	\$ 667,401	\$ 19,922
Contributions - member	120,783	50,436
Net investment income	53,194	369
Benefit payments	(639,467)	(84,071)
Administrative expense	-	(150)
Other	<u>(187)</u>	<u>42</u>
Net change in plan fiduciary net position	201,724	(13,452)
Plan fiduciary net position - beginning	<u>340,618</u>	<u>76,880</u>
Plan fiduciary net position - ending (b)	<u>\$ 542,342</u>	<u>\$ 63,428</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 17,362,580</u>	<u>\$ 3,475,344</u>

The SEOPEBP Net OPEB Liability (NOL) as of June 30, 2017 reported for GASB 75 purposes in the table above differs from that reported as of June 30, 2017 last year for GASB 74 purposes. The GASB 74 NOL of \$17,385,688 million was based on a valuation as of June 30, 2015, as the 2017 valuation had not been completed at that time. Under GASB 75, the June 30, 2015 valuation would not be acceptable for June 30, 2018 reporting, because the 36 months between the valuation date and the measurement date exceeds the maximum allowed under the standard.

d. Other OPEB Plan

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

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2018 there were 8 municipalities participating in the plan with a total membership of 634 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and

dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

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

Note 14 OPEB Trust Funds Financial Statements

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

	Statement of Fiduciary Net Position (thousands)			
	State	Retired	Policemen,	Total
	Employees' OPEB Plan	Teachers' Healthcare Plan	Firemen, and Survivors' Benefits	
Assets				
Cash and Cash Equivalents	\$ 36,596	\$ 34,927	\$ 16	\$ 71,539
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	124	1,798	-	1,922
Interest	-	-	1	1
Investments	845,559	-	34,620	880,179
Securities Lending Collateral	60,645	-	3,008	63,653
Total Assets	<u>\$ 942,924</u>	<u>\$ 36,725</u>	<u>\$ 37,645</u>	<u>\$ 1,017,294</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 32,390	\$ 13,089	\$ -	\$ 45,479
Securities Lending Obligation	60,645	-	3,008	63,653
Due To Other Funds	-	-	-	-
Total Liabilities	<u>\$ 93,035</u>	<u>\$ 13,089</u>	<u>\$ 3,008</u>	<u>\$ 109,132</u>
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 849,889	\$ 23,636	\$ 34,637	\$ 908,162
Total Net Assets	<u>\$ 849,889</u>	<u>\$ 23,636</u>	<u>\$ 34,637</u>	<u>\$ 908,162</u>
Statement of Changes in Fiduciary Net Position (thousands)				
	State	Retired	Policemen,	Total
	Employees' OPEB Plan	Teachers' Healthcare Plan	Firemen, and Survivors' Benefit	
Additions				
Contributions:				
Plan Members	\$ 116,814	\$ 94,107	\$ 577	\$ 211,498
State	801,893	19,199	-	821,092
Municipalities	-	-	633	633
Total Contributions	<u>918,707</u>	<u>113,306</u>	<u>1,210</u>	<u>1,033,223</u>
Investment Income	39,118	669	2,286	42,073
Less: Investment Expenses	(2,117)	-	(124)	(2,241)
Net Investment Income	<u>37,001</u>	<u>669</u>	<u>2,162</u>	<u>39,832</u>
Other	186	-	-	186
Total Additions	<u>955,894</u>	<u>113,975</u>	<u>3,372</u>	<u>1,073,241</u>
Deductions				
Administrative Expense	-	7,654	-	7,654
Benefit Payments and Refunds	648,347	146,061	1,188	795,596
Other	-	52	7	59
Total Deductions	<u>648,347</u>	<u>153,767</u>	<u>1,195</u>	<u>803,309</u>
Changes in Net Assets	307,547	(39,792)	2,177	269,932
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	542,342	63,428	32,460	638,230
End of Year	<u>\$ 849,889</u>	<u>\$ 23,636</u>	<u>\$ 34,637</u>	<u>\$ 908,162</u>

Note 15

Capital and Operating Leases

State as Lessor

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

2019	\$	45,668
2020		46,064
2021		32,284
2022		31,030
2023		22,650
Thereafter		79,448
Total	\$	<u>257,144</u>

Contingent revenues for the year ended June 30, 2018, were \$675 thousand. The contingent revenue amount represents rental revenue which was paid in addition to the minimum lease revenues.

State as Lessee

Obligations under capital and operating leases as of June 30, 2018, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2019	\$ 37,370	\$ 8,098
2020	25,850	7,123
2021	19,848	3,217
2022	24,936	2,905
2023	5,070	2,015
2024-2028	26,983	6,118
2029-2033	8,267	3,650
2034-2038	1,502	-
Total minimum lease payments	<u>\$ 149,826</u>	<u>33,126</u>
Less: Amount representing interest costs		5,550
Present value of minimum lease payments		<u>\$ 27,576</u>

Minimum capital lease payments were discounted using interest rates changing from 3.84 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2018, were \$37.4 million.

Note 16

Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2018 (amounts in thousands):

Governmental Activities	Beginning			Ending		Amounts due within one year
	Balance	Additions	Reductions	Balance		
Bonds:						
General Obligation	\$ 18,398,554	\$ 2,144,620	\$ 1,779,946	\$ 18,763,228	\$ 1,841,031	
Transportation	5,041,840	800,000	301,345	5,540,495	323,470	
	23,440,394	2,944,620	2,081,291	24,303,723	2,164,501	
Plus (Less) Premiums	1,887,084	243,026	210,627	1,919,483	190,620	
Total Bonds	25,327,478	3,187,646	2,291,918	26,223,206	2,355,121	
Long-Term Notes	177,120	-	177,120	-	-	
Other L/T Liabilities: ¹						
Net Pension Liability (Note 10)	37,192,071	2,056,125	4,681,708	34,566,488	-	
Net OPEB Liability (Note 13) ²	20,654,679	2,471,045	2,534,726	20,590,998	-	
Net OPEB Obligation	10,450,182		10,450,182	-	-	
Compensated Absences	512,836	24,098	38,656	498,278	37,671	
Workers' Compensation	718,016	127,630	98,412	747,234	100,681	
Capital Leases	30,900	3,238	6,562	27,576	7,352	
Claims and Judgments	51,163	154,041	9,661	195,543	16,499	
Landfill Post Closure Care	36,297	-	1,232	35,065	1,232	
Liability on Interest Rate Swaps	826	-	386	440	-	
Contracts Payable & Other	705	-	-	705	-	
Non-exchange Financial Guarantees	-	540,080	8,520	531,560	21,285	
Total Other Liabilities	69,647,675	5,376,257	17,830,045	57,193,887	184,720	
Governmental Activities Long-Term Liabilities	\$ 95,152,273	\$ 8,563,903	\$ 20,299,083	\$ 83,417,093	\$ 2,539,841	
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 the State's reporting the net Other Post Employment Benefits liability on its financial statements following the guidance of Statement number 75 of the Governmental Accounting Standards Board (GASB)						
Business-Type Activities						
Revenue Bonds	\$ 1,442,805	\$ 141,725	\$ 90,175	\$ 1,494,355	\$ 90,360	
Plus/(Less) Premiums and Discounts	175,617	16,711	14,137	178,191	2,050	
Total Revenue Bonds	1,618,422	158,436	104,312	1,672,546	92,410	
Compensated Absences	192,747	48,855	44,028	197,574	49,881	
Other	327,419	55,364	27,883	354,900	15,831	
Total Other Liabilities	520,166	104,219	71,911	552,474	65,712	
Business-Type Long-Term Liabilities	\$ 2,138,588	\$ 262,655	\$ 176,223	\$ 2,225,020	\$ 158,122	

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately \$39.0 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, 2018, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2018	Amounts due within year
Bonds Payable (includes premiums/discounts)	\$ 5,006,898	\$ 259,069
Escrow Deposits	184,662	43,821
Annuities Payable	125,708	6,663
Rate Swap Liability	121,829	-
Net Pension Liability	238,727	-
Net Post Employment Liability	173,327	-
Other	54,454	637
Total	\$ 5,905,605	\$ 310,190

Not all component units report net pension liabilities and OPEB liabilities; therefore the notes show a higher liability for the net pension liability of \$5,820 and a higher net OPEB liability of \$73,599 than the financial statements.

Landfill Closure and Postclosure Care

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

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled \$1,232,307 in FY2018.

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. Bond Anticipation Notes

In December 2017, the State issued \$400,000,000 of General Obligation 2017 Series A Bond Anticipation Notes that matured on September 14, 2018 at which time General Obligation 2018 Series E Bonds were issued that mature in 2028. The State has elected to disclose these notes with its 2018 long-term debt because of its demonstrated ability to convert such debt to long-term debt rather than including the debt as fund liabilities. The issuance of the bonds was delayed due to the late passage of the State budget while the bonds were issued to gain timely access to favorable pricing opportunities.

	Beginning Balance	Issued	Redeemed	Ending Balance
Bond Anticipation Notes	\$ -	\$ 400,000	\$ -	\$ 400,000

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 are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Dates	Original Rates	Outstanding	Authorized
				But Unissued
Capital Improvements	2018-2038	2.00-5.75%	\$ 4,430,793	\$ 622,453
School Construction	2018-2038	1.70-5.750%	4,522,314	109,677
Municipal & Other				
Grants & Loans	2018-2037	1.10-5.632%	2,570,284	1,248,399
Housing Assistance	2018-2035	1.97-5.350%	511,949	190,619
Elimination of Water				
Pollution	2018-2035	2.00-5.09%	470,154	34
General Obligation				
Refunding	2018-2038	2.00-5.25%	3,388,130	-
GAAP Conversion	2018-2027	2.25-5.00%	459,690	-
Pension Obligation	2018-2032	5.69-6.27%	2,197,477	-
Miscellaneous	2018-2034	3.50-5.100%	64,654	75,085
			18,615,445	\$ 2,246,267
Accretion-Various Capital Appreciation Bonds			147,783	
		Total	\$ 18,763,228	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending	June 30,		
	Principal	Interest	Total
2019	\$ 1,841,031	\$ 834,706	\$ 2,675,737
2020	1,384,816	762,098	2,146,914
2021	1,363,371	703,186	2,066,557
2022	1,326,109	694,335	2,020,444
2023	1,361,291	647,182	2,008,473
2024-2028	5,868,247	2,264,748	8,132,995
2029-2033	4,247,485	805,110	5,052,595
2034-2038	1,222,020	107,576	1,329,596
2039-2043	1,075	22	1,097
Total	\$ 18,615,445	\$ 6,818,963	\$ 25,434,408

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, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized
				But Unissued
Infrastructure				
Improvements	2019-2038	2.00-5.740%	\$ 4,823,040	\$ 3,387,280
STO Refunding	2019-2038	2.00-5.740%	717,455	-
			\$ 5,540,495	\$ 3,387,280
Accretion-Various Capital Appreciation Bonds			-	
		Total	\$ 5,540,495	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending	Principal	Interest	Total
June 30,			
2019	\$ 323,470	\$ 263,714	\$ 587,184
2020	319,155	252,578	571,733
2021	335,515	237,201	572,716
2022	317,240	221,127	538,367
2023	329,170	205,312	534,482
2024 - 2028	1,636,400	781,669	2,418,069
2029 - 2033	1,486,025	373,196	1,859,221
2034 - 2038	793,520	79,257	872,777
	<u>\$ 5,540,495</u>	<u>\$ 2,414,054</u>	<u>\$ 7,954,549</u>

c. Primary Government – Business-Type Activities

Revenue Bonds

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

Enterprise funds' revenue bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2019-2047	1.5-5.25%	\$ 240,980
Board of Regents	2019-2037	2.0-5.25%	318,690
Clean Water	2019-2037	1.0-5.0%	798,255
Drinking Water	2019-2037	1.0-5.0%	111,165
Bradley Parking Garage	2019-2024	6.5-6.6%	25,265
Total Revenue Bonds			1,494,355
Plus/(Less) premiums and discounts:			
UConn			32,935
Board of Regents			15,907
Clean Water			129,349
Revenue Bonds, net			<u>\$ 1,672,546</u>

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

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

In 2000, Bradley Parking Garage bonds were issued in the amount of \$53.8 million to build a parking garage at the airport. As of June 30, 2018, \$25.3 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, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 33,595	\$ 29,699	\$ 63,294
2020	93,918	67,268	161,186
2021	98,449	62,962	161,411
2022	88,470	58,329	146,799
2023	128,448	66,407	194,855
2024-2028	421,063	201,259	622,322
2029-2033	372,222	103,583	475,805
2034-2038	186,715	39,452	226,167
2039-2043	31,245	14,492	45,737
2043-2047	40,230	5,492	45,722
Total	\$ 1,494,355	\$ 648,943	\$ 2,143,298

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2017-2055	0.0-6.625%	\$ 4,397,094
CT Student Loan Foundation	2034-2046	2.476-3.564%	199,600
CT Higher Education Supplemental Loan Authority	2018-2035	.40-5.25%	147,810
CT Airport Authority	2018-2032	%/1 mth libor	109,330
CT Regional Development Authority	2018-2034	1.00-7.00%	79,315
UConn Foundation	2018-2024	2.30-2.92%	16,772
CT Green Bank	2018-2037	4.19%-6.02%	15,714
CT Innovations Inc.	2018-2020	2.37-5.25%	1,765
Total Revenue Bonds			4,967,400
Plus/(Less) premiums and discounts:			
CHFA			36,809
CSLF			(419)
CHESLA			4,155
UConn Foundation			(176)
CT Innovations Inc.			(585)
CRDA			(286)
Revenue Bonds, net			\$ 5,006,898

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

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has \$1.8 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, 2017, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were \$4,052.8 million, \$64.8 million, and \$316.3 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 \$298.6 million per the resolution and \$5.0 million per the indenture at 12/31/17. As of December 31, 2017, the Authority has entered into interest rate swap agreements for \$805.5 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.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	\$ 175,084	\$ 136,631	\$ 311,715
2020	177,460	136,416	313,876
2021	173,359	131,822	305,181
2022	197,746	128,128	325,874
2023	183,947	123,320	307,267
2024-2028	906,975	542,660	1,449,635
2029-2033	986,872	404,759	1,391,631
2034-2038	849,908	266,283	1,116,191
2039-2043	621,330	158,956	780,286
2044-2048	613,295	100,072	713,367
2049-2052	61,749	11,020	72,769
2053-2057	19,675	4,884	24,559
	<u>\$ 4,967,400</u>	<u>\$ 2,144,951</u>	<u>\$ 7,112,351</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, 2018 were \$324.8 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, 2018, were \$8,349.7 million, of which \$318.7 million was secured by special capital reserve funds.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of \$468.3 million at an average coupon interest rate of 5.86 percent to refund \$507.6 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 5.88 percent. Although the refunding resulted in a \$366 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by \$44.1 million over the next 6 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 \$34.1 million.

Once the refunding bond proceeds were delivered, the State entered into escrow agreements with escrow holders, to provide for the redemption of the refunded bonds. The refunding proceeds were deposited in an escrow holder's account of the State's Short-Term Investment Fund until needed for redemption of 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, 2018, the outstanding balance of bonds defeased in prior years was approximately \$193.7 million.

f. Nonexchange Financial Guarantee

In March 2018, the State entered into a Contract for Financial Assistance with the City of Hartford, according to Section 376 of Public Act 17-2 of the June Special Session guaranteeing \$540,080,000 of outstanding general obligation bonds of the City of Hartford, with maturity dates ranging from July 1, 2028 through July 15, 2035, and semiannual interest payments. The contract assistance is limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by the City of Hartford pursuant to section 7-370c of the general statutes, or (B) any other bonds or notes issued by the City of Hartford, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitutions of bonds, notes or other obligations previously issued by the City of Hartford, and (2) cost of issuance on any such refunding bonds and any other expenses that result directly from the refunding of debt. The Act also establishes that the City of Hartford must be under the supervision of the Municipal Accountability Review Board of the State and that the City may not issue any new debt without the board's approval. The State Representatives, defined by the contract as the Secretary of the Office of Policy and Management and the State Treasurer, may agree to provide credit support to the City of Hartford, including, but not limited to, assuming all or part of any bonds, notes, or other obligations of the City or issuance of new State obligations in replacement of such bonds, notes, or other obligations, provided such credit support does not exceed the amount of contract assistance that could otherwise be provided by the State to the City.

In April 2018, because of the possibility that the City of Hartford would declare bankruptcy, the State of Connecticut began making contract assistance payments for the City of Hartford's outstanding \$540 million general obligation debt. During fiscal year 2018, the State of Connecticut has paid \$8,520,000 in principal and \$8,291,744 in interest on the guarantee.

The liability recognized for nonexchange financial guarantees by the State of Connecticut at June 30, 2018 is as follows (amounts in thousands):

Beginning of Year	Increases	Decreases	End of Year
\$ -	\$ 540,080	\$ 8,520	\$ 531,560

Note 18 Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:	Deferred		Deferred		
Pay-fixed interest	outflow of		outflow of		
rate swap	Resources	\$ 386	Resources	\$ (440)	\$ 20,000

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2018, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	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%	A+
	Total Notional Amount	\$ 20,000				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot

interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk

As of June 30, 2018, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Basis Risk

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

Termination Risk

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

Rollover Risk

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

Hedging Derivative Instrument Payments and Hedged Debt

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2018, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	SWAP, Net		
2019	\$ -	\$ 804	\$ 236	\$	1,040
2020	20,000	806	234		21,040
	\$ 20,000	\$ 1,610	\$ 470	\$	22,080

Note 19 Risk Management

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

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

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

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

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

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

	<u>Governmental Activities Workers' Compensation</u>	<u>Business-Type Activities Medical Malpractice</u>
Balance 6-30-16	\$ 684,401	\$ 31,592
Incurred claims	133,780	-
Paid claims	<u>(100,165)</u>	<u>(6,735)</u>
Balance 6-30-17	718,016	24,857
Incurred claims	127,630	-
Paid claims	<u>(98,412)</u>	<u>(9,876)</u>
Balance 6-30-18	<u>\$ 747,234</u>	<u>\$ 14,981</u>

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2018, were as follows (amounts in thousands):

	<u>Balance due to fund(s)</u>											<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Restricted Grants & Accounts</u>	<u>Grant & Loan Programs</u>	<u>Other Governmental</u>	<u>UConn</u>	<u>Board of Regents</u>	<u>Employment Security</u>	<u>Internal Services</u>	<u>Fiduciary</u>	<u>Component Units</u>	
<u>Balance due from fund(s)</u>												
General	\$ -	\$ -	\$ 628	\$ 4	\$ 1,049	\$ 32,553	\$ 44,291	\$ 672	\$ 4,500	\$ 689	\$ -	\$ 84,386
Debt Service	-	2,646	-	-	-	-	-	-	-	-	-	2,646
Restricted Grants & Accounts	3,744	-	-	-	-	-	-	-	-	-	3,455	7,199
Grant & Loan Programs	35	-	-	-	-	-	-	-	-	-	-	35
Other Governmental	2,304	-	-	-	8,613	21,535	89,056	-	-	-	613	122,121
UConn	24,365	-	-	-	-	-	-	-	-	-	-	24,365
Board of Regents	5,824	-	-	-	-	-	-	-	-	-	-	5,824
Employment Security	-	-	-	-	410	-	-	-	-	-	-	410
Internal Services	8,690	-	-	-	-	-	-	-	-	-	-	8,690
Fiduciary	-	-	-	-	379	-	-	-	-	1,834	-	2,213
Component Units	54,149	-	3,322	-	-	-	-	-	-	-	-	57,471
Total	<u>\$ 99,111</u>	<u>\$ 2,646</u>	<u>\$ 3,950</u>	<u>\$ 4</u>	<u>\$ 10,451</u>	<u>\$ 54,088</u>	<u>\$ 133,347</u>	<u>\$ 672</u>	<u>\$ 4,500</u>	<u>\$ 2,523</u>	<u>\$ 4,068</u>	<u>\$ 315,360</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, 2018, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
	Debt		Restricted			UConn	Board of Regents	Clean Water & Drinking Water	Total
	General	Service	Transportation	Grants & Accounts	Other Governmental				
<u>Amount transferred from fund(s)</u>									
General	\$ 1,529,350	\$ -	\$ -	\$ -	\$ -	529,374	\$ 527,846	\$ 815	\$ 2,587,385
Debt Service	-	-	13,614	443	-	-	-	-	14,057
Transportation	-	579,337	-	-	-	-	-	-	579,337
Restricted Grants & Accounts	38,864	-	-	-	-	-	-	-	38,864
Grants and Loans	-	-	-	-	47,734	-	-	-	47,734
Other Governmental	70,322	44,551	-	68,441	15,514	388,806	125,085	-	712,719
Internal Service	5,000	-	-	-	-	-	-	-	5,000
Employment Security	-	-	-	-	9,700	-	-	-	9,700
Total	\$ 1,643,536	\$ 623,888	\$ 13,614	\$ 68,884	\$ 72,948	\$ 918,180	\$ 652,931	\$ 815	\$ 3,994,796

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 2018, the State implemented the following new accounting standard issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement 75 – This Statement creates standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures for OPEB provided to employees of the primary government and its component units.

Governmental activities beginning net deficit was \$45.4 billion. Beginning net position of governmental activities was reduced by \$20.0 billion on the Statement of Activities as a result of implementing this Statement. See note 13 for further information on OPEB reporting.

For fiscal year 2018, Component Units beginning net position was \$2.4 billion. As a result of implementing GASB Statement 75, the beginning net position for the Component Units was reduced by \$167.0 million on the Statement of Activities resulting in a restated beginning net position of \$2.2 billion. This reduction is reported on the Combining Statement of Activities – Component Units as well. The following component units implemented GASB 75 which resulted in a decrease net position to Connecticut Lottery Corporation of \$48.9 million, Connecticut Airport Authority of \$70.3 million, Connecticut Innovations, Incorporated of \$25.9 million, and Connecticut Green Bank of \$21.9 million. The Connecticut Housing Finance Authority (major Component Unit), did not implement GASB 75 in fiscal year 2018 because it has a fiscal year ending December 31.

Fund Balance – Restricted and Assigned

As of June 30, 2018 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	\$ 575,611	\$ -
Environmental Programs	97,645	-
Housing Programs	410,518	-
Employment Security Administration	14,002	-
Banking	2,328	-
Other	75,829	9,759
Total	<u>\$ 1,175,933</u>	<u>\$ 9,759</u>

Restricted Net Position

As of June 30, 2018, the government-wide statement of net position reported \$4,125 million of restricted net position, of which \$260.8 million was restricted by enabling legislation.

Note 23**Tax Abatements**

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

Film, Television, and Digital Media Tax Program

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

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

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

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

Urban and Industrial Sites Reinvestment Tax Program

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

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

exceed \$100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed \$950 million.

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

Insurance Reinvestment Fund Program

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

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed \$15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

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

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

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

The Connecticut Neighborhood Assistance Act Credit Program (Conn. Gen. Stat. §§12-631 through 12-638)

The Neighborhood Assistance Act tax credit may be earned by businesses that make cash investments of at least \$250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services.

This tax credit may be applied against the taxes imposed under:

Chapter 207 (Insurance Companies and Health Care Centers Taxes);

Chapter 208 (Corporation Business Tax);

Chapter 209 (Air Carriers Tax);

Chapter 210 (Railroad Companies Tax);

Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and

Chapter 212 (Utility Companies Tax).

A tax credit equal to one hundred percent of the cash invested is available to businesses that invest in energy conservation projects and comprehensive college access loan forgiveness programs. A tax credit equal to sixty percent of the cash invested is available to businesses that invest in programs that provide: community-based alcoholism prevention or treatment programs; neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; investment in child day care facilities; child care services;

and any other program which serves persons at least seventy five percent of whom are at an income level not exceeding one hundred fifty percent of the poverty level for the preceding year.

Under the Connecticut Neighborhood Assistance Act there are several statutory limits which must be observed, including the following: (1) the total tax credits under the Neighborhood Assistance Act tax credit program are limited to \$150,000 annually for each business. The tax credit for investments in child day care facilities may not exceed \$50,000 per income year for each business; (2) the minimum contribution on which a tax credit can be granted is \$250; (3) any organization conducting a program or programs eligible to receive contributions under the Neighborhood Assistance Act tax credit program is limited to receiving a total of \$150,000 of funding for any program or programs for any fiscal year; (4) the cap on the total amount of credits that may be allowed annually is \$5 million. If the proposals submitted to the Department of Revenue Services claim credits in excess of the cap, such credits will be prorated among the approved organizations; (5) no business shall receive both the Neighborhood Assistance tax credit and the Housing Program Contribution tax credit for the same cash contribution; (6) no business can claim the tax credit for investments in child care facilities in an income year that the business claims the Human Capital Investment tax credit; (7) carryforward and carryback limitations, no carryforward is allowed any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years.

Research and Development Expenditures

This credit is based on the incremental increase in expenditures for research and experiments conducted in Connecticut. "Research and development expenses" refers to research or experimental expenditures deductible under Section 174 of the Internal Revenue Code of 1986, as of May 28, 1993, determined without regard to Section 280C(c) elections made by a taxpayer to amortize such expenses on its federal income tax return that were otherwise deductible, and basic research payments as defined under Section 41 of the Internal Revenue Code to the extent not deducted under said Section 174, provided: such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in the State of Connecticut; and such expenditures and payments are not funded, within the meaning of Section 41(d)(4)(H) of the Internal Revenue Code, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses.

In accordance with Sec. 12-217n a tax credit may be applied against the Corporation Business Tax for research and development expenses conducted in Connecticut. A small business qualifies for the credit if it has gross income for the previous income year that does not exceed \$100 million, and has not, in the determination of the Commissioner of Economic and Community Development, met the gross income test through transactions with a related person. The amount of the credit increases ratably from one percent of the annual research and development expenses paid or incurred, where these expenses equal \$50 million or less, to six percent when expense exceed \$200 million.

Qualified small business may exchange unused amounts of this credit with the state for a cash payment of sixty-five percent of the value of the credit or carry forward the full value until fully taken. Credits are limited to \$1.5 million in any one income year.

Historic Structures Rehabilitation (Conn. Gen. Stat. §10-416a)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a certified historic structure for residential use or to a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

The tax credit may be applied against the taxes imposed under:

Chapter 207 (Insurance Companies and Health Care Centers Taxes)

Chapter 208 (Corporation Business Tax)

Chapter 209 (Air Carriers Tax)

Chapter 210 (Railroad Companies Tax)

Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and

Chapter 212 (Utility Companies Tax).

This tax credit is equal to the lesser of the tax credit reserved upon certification of the rehabilitation plan or 25% of the actual qualified rehabilitation expenditures not exceeding \$2.7 million. The amount of the tax credit that may be claimed will be entered on the tax credit voucher issued by the Department of Economic and Community Development.

The tax credit may be carried forward for five years following the year in which the rehabilitated structure was placed in service. No carryback is allowed.

Historic Preservation (Conn. Gen. Stat. §10-416b)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a qualified historic structure for nonresidential use or mixed residential and nonresidential use or a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

This tax credit may be applied against the taxes imposed under:

Chapter 207 (Insurance Companies and Health Care Centers Taxes)

Chapter 208 (Corporation Business Tax)

Chapter 209 (Air Carriers Tax)

Chapter 210 (Railroad Companies Tax)

Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and

Chapter 212 (Utility Companies Tax)

This tax credit is equal to the lesser of twenty-five percent of the projected certified rehabilitation expenditures or twenty-five percent of the actual certified rehabilitation expenditures. If the project creates affordable housing units and the owner provides the Department of Economic and Community Development and the Department of Housing information to show that the owner is compliant with the affordable housing certificate then the tax credit is equal to the lesser of thirty percent of the projected certified rehabilitation expenditures of thirty percent of the actual qualified rehabilitation expenditures.

The maximum tax credit allowed for any project shall not exceed \$5 million for any fiscal three-year period.

Historic Rehabilitation (Conn. Gen. Stat. §10-416c)

A tax credit administered by the Connecticut Department of Economic and Community Development is available for the qualified rehabilitation expenditures associated with the certified rehabilitation of a certified historic structure. No credit may be claimed until the Department of Economic and Community Development issues a tax credit voucher.

This tax credit can be used to offset the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

The tax credit is equal to twenty-five percent of the total qualified rehabilitation expenditures. The tax credit increases to thirty percent of the total qualified rehabilitation expenditures if the project includes a component with at least twenty percent of the rental units or ten percent of for-sale units qualify as affordable housing under Conn. Gen. Stat. §8-39a. The tax credit allowed for any project shall not exceed \$4.5 million.

The tax credit may be carried forward for five succeeding income years following the year in which the substantially rehabilitated structure was placed in service. No carryback is allowed.

Enterprise Zone Property Tax Reimbursement Program

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

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

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

However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on

population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

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

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

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

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

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

Tax Abatement Program	Amount of Taxes Abated
The Film, Television, and Digital Media Tax Program	
<i>Corporate Income Tax (as of 6/30/2018)</i>	\$80,197,846
The Urban and Industrial Sites Reinvestment Tax Program	
<i>Corporate Income Tax (as of 6/30/18)</i>	43,919,908
The Insurance Reinvestment Fund Program	
<i>Corporate Income Tax (as of 6/30/2018)</i>	19,955,940
The Connecticut Neighborhood Assistance Act Credit Program	
<i>Corporate Income Tax (as of 6/30/2018)</i>	3,463,307
Historic Structures Rehabilitation	
<i>Corporate Income Tax (as of 6/30/2018)</i>	15,502,482
Historic Preservation	
<i>Corporate Income Tax (as of 6/30/2018)</i>	4,228,078
Historic Rehabilitation	
<i>Corporate Income Tax (as of 6/30/2018)</i>	28,380,188
Research and Development Expenditures	
<i>Corporate Income Tax (as of 6/30/2018)</i>	6,463,375
Enterprise Zone Property Tax Reimbursement Program	
<i>Property Tax (6/30/2018)</i>	N/A

In addition, the State has other various tax credit incentives that are not defined as tax abatements under generally accepted accounting principles and therefore are not described and included here.

Note 24

Related Organizations

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

Note 25

New Accounting Pronouncements

In 2018, The State implemented the following statement issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement No. 75) - GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements.

Note 26

Commitments and Contingencies

a. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities."

As of June 30, 2018 the State had contractual commitments as follows (amounts in millions):

Infrastructure & Other Transportation Programs	\$	1,181
Construction Programs		322
School Construction and Alteration Grant Program		2,336
Clean and Drinking Water Loan Programs		247
Various Programs and Services		3,786

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

Component Units

As of December 31, 2017, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$209.5 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, 2018, the State reported an escheat liability of 412.0 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 \$432.3 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.

Note 27**Subsequent Events**

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in its financial statement footnotes. The effect of this evaluation led the State to report the following events which took place after the date of the State's fiscal year end through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority includes events which took place after their fiscal year end of December 31, 2017.

In September 2018, the State issued \$250.0 million of Taxable General Obligation bonds. The bonds were issued for various State purposes. The taxable 2018 Series-A bonds mature in 2028 and bear interest rates ranging from 3.471 to 4.0 percent. At the same time, the State issued \$400.0 million of 2018 series E nontaxable General Obligation Bonds. The bonds were issued to retire bond anticipation notes outstanding as of the prior fiscal year. The 2018 Series-E Bonds bear interest rates ranging from 4.0 to 5.0 percent.

Also, in September 2018, the State issued \$239.2 million of 2018 series F General Obligation refunding bonds maturing in 2028 and bearing interest rates between 4.0 and 5.0 percent.

At the end of October 2018, the State issued \$750 million of 2018 series B Special Transportation Obligation (STO) bonds maturing in 2038 and bearing interest rates of 5.0 percent. On November 6, 2018 Connecticut voters passed an amendment to the Connecticut Constitution to ensure that all monies contained in the Special Transportation fund shall be used solely for transportation purposes including the payment of debts of the State incurred for transportation purposes and that the sources of funds deposited in the Special Transportation fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the State. Subsequently, on November 15, 2018 S&P Global Ratings revised its rating on the 2018 series B and C STO bonds to A+ designating them as Priority-Lien Tax Revenue debt.

Also, at the end of October 2018, the state issued \$100.1 million series C Special Transportation Obligation refunding bonds maturing in 2026 and bearing interest rates of between 3.0 and 5.0 percent.

The Connecticut Housing Finance Authority (CHFA), whose financial statements are published as of December 31, 2017, incurred numerous financial events between January 1 and the State's fiscal year-end of June 30, 2018 including the following; \$336.7 million of various unscheduled redemption payments on outstanding debt were made including \$90.0 million for purposes of remarketing debt obligations having demand features. On March 1, 2018 the Authority issued \$165.6 million of its 2018 Series A bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with Bank of America, N.A. and a Remarketing Agreement with Merrill Lynch Pierce, Fenner & Smith Inc. to secure liquidity for \$47.5 million of Series A bonds having demand features. On April 16, 2018 the Authority entered into a three year standby bond purchase agreement, with Wells Fargo bank, national association (the "Bank"), to remarket its 2016 subseries B-4 bonds. The bonds will bear interest from their date of reoffering based on a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term or Auction Mode Period at a rate not to exceed 14 percent per annum, unless such bonds are converted, in which case the bonds shall bear interest at a Long-Term Fixed Rate until their maturity or prior redemption. On May 10, 2018 the authority issued \$165.0 million of its 2018 Series B bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with the Royal Bank of Canada Capital Markets, LLC and a Remarketing Agreement with TD Bank, N.A. to secure liquidity for \$46.7 million of Series B bonds having demand features. In addition effective May 15, 2018 a new accreting swap agreement was established with the Bank of New York Mellon where the State pays 2.2475 percent fixed and receives 70 percent of 3-month Libor. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2017.

On November 5, 2018, the Materials, Innovations, and Recycling Authority (MIRA a Component Unit of the State) solid waste system experienced a significant mechanical failure to one of its generators. This failure occurred at a time when another generator was already off line for major repair and maintenance activity. This left the solid waste system with no waste processing capacity as of November 5, 2018. In response to this situation, the Authority has not accepted delivery of waste from non-participating municipalities. The Authority continued to receive waste and serve its participating municipalities. The Authority is diverting a portion of participating municipality waste to alternate disposal sites, and is storing waste, refuse derived fuel and process residue on site pending further processing and resource recovery once the Connecticut Solid Waste System resumes operations in the third week of January, 2019.

The Authority has incurred additional expense related to these events including the cost to divert waste and repair the generators presently estimated at \$14.9 million. These costs are and will be funded through reserve funds, savings in other budget line items, property damage, business interruption and other claim proceeds, and assessment of additional charges under the Authority's municipal service agreements with Connecticut Solid Waste System participating towns.

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REQUIRED SUPPLEMENTARY INFORMATION BUDGET

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

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

Notes to Required Supplementary Information: Statutory Reporting

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive (negative)
	Budget		Actual	
	Original	Final		
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 14,593,800	\$ 16,984,000	\$ 17,065,271	\$ 81,271
Casino Gaming Payments	267,300	273,000	272,957	(43)
Licenses, Permits, and Fees	298,700	306,300	306,165	(135)
Other	372,300	413,300	415,885	2,585
Federal Grants	1,255,500	1,143,100	1,143,075	(25)
Refunds of Payments	(62,500)	(61,100)	(61,058)	42
Operating Transfers In	432,000	449,200	449,213	13
Operating Transfers Out	-	-	(57,650)	(57,650)
Transfer to BRF - Volatility Adjustment	-	(1,460,000)	(1,471,333)	(11,333)
Transfer to/from the Resources of the General Fund	2,900	83,500	136,026	52,526
Total Revenues	<u>17,160,000</u>	<u>18,131,300</u>	<u>18,198,551</u>	<u>67,251</u>
Expenditures				
Budgeted:				
Legislative	63,146	70,049	64,433	5,616
General Government	338,060	692,626	647,508	45,118
Regulation and Protection	279,765	290,136	259,835	30,301
Conservation and Development	165,349	191,691	181,147	10,544
Health and Hospitals	1,155,114	1,204,425	1,163,451	40,974
Transportation	-	-	-	-
Human Services	3,690,345	4,415,054	4,291,893	123,161
Education, Libraries, and Museums	4,633,661	5,188,028	5,024,541	163,487
Corrections	1,402,150	1,400,439	1,382,304	18,135
Judicial	534,504	561,478	528,902	32,576
Non Functional	5,060,039	5,657,055	5,066,695	590,360
Total Expenditures	<u>17,322,133</u>	<u>19,670,981</u>	<u>18,610,709</u>	<u>1,060,272</u>
Appropriations Lapsed	<u>6,900</u>	<u>972,356</u>	<u>-</u>	<u>(972,356)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(155,233)</u>	<u>(567,325)</u>	<u>(412,158)</u>	<u>155,167</u>
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	60,237	60,237	60,237	-
Appropriations Continued to Fiscal Year 2019	-	-	(134,315)	(134,315)
Miscellaneous Adjustments	1,989	3,375	3,375	-
Total Other Financing Sources (Uses)	<u>62,226</u>	<u>63,612</u>	<u>(70,703)</u>	<u>(134,315)</u>
Net Change in Fund Balance	<u>\$ (93,007)</u>	<u>\$ (503,713)</u>	<u>(482,861)</u>	<u>\$ 20,852</u>
Budgetary Fund Balances - July 1			157,856	
Changes in Reserves			<u>96,764</u>	
Budgetary Fund Balances - June 30			<u>\$ (228,241)</u>	

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

State of Connecticut

Transportation Fund

Budget		Variance with Final Budget positive (negative)	
Original	Final	Actual	(negative)
\$ 1,187,300	\$ 1,205,200	\$ 1,215,653	\$ 10,453
-	-	-	-
395,200	394,100	394,940	840
9,500	16,000	17,673	1,673
12,100	12,200	12,196	(4)
(4,100)	(4,900)	(4,891)	9
-	-	-	-
(6,500)	(5,500)	(5,500)	-
-	-	-	-
-	-	-	-
<u>1,593,500</u>	<u>1,617,100</u>	<u>1,630,071</u>	<u>12,971</u>
-	-	-	-
9,138	8,354	8,353	1
77,381	74,556	64,148	10,408
2,620	2,762	2,692	70
-	-	-	-
631,875	658,848	651,051	7,797
2,371	2,371	-	2,371
-	-	-	-
-	-	-	-
-	-	-	-
839,030	806,405	757,468	48,937
<u>1,562,415</u>	<u>1,553,296</u>	<u>1,483,712</u>	<u>69,584</u>
-	32,242	-	(32,242)
-	-	-	-
<u>31,085</u>	<u>96,046</u>	<u>146,359</u>	<u>50,313</u>
30,389	30,389	30,389	-
-	-	(28,643)	(28,643)
-	-	-	-
<u>30,389</u>	<u>30,389</u>	<u>1,746</u>	<u>(28,643)</u>
<u>\$ 61,474</u>	<u>\$ 126,435</u>	148,105	<u>\$ 21,670</u>
		128,004	
		<u>(1,746)</u>	
		<u>\$ 274,363</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. Budgeting Process

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

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

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

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

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. Beginning in Fiscal Year 2016, based on changes enacted in the biennial budget (Public Act 15-244) the GAAP expense accrual appropriations were consolidated into a single appropriation at the fund-level for the General Fund, Transportation Fund and all other budgeted special revenue funds. 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 2018 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

B. Reconciliation of Budget/GAAP Reporting Differences

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

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

The following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2018. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	\$ (482,861)	\$ 148,106
Volatility Deposit Budget Reserve Fund	1,471,333	-
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	577,086	6,932
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(15,781)	(13,169)
Salaries and Fringe Benefits Payable	21,988	2,412
Increase (Decrease) in Continuing Appropriations	74,078	(1,746)
Fund Reclassification-Bus Operations	-	458
Net change in fund balances (GAAP basis)	<u>\$ 1,645,843</u>	<u>\$ 142,993</u>

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

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

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. During fiscal year 2019 a withdrawal of \$482.9 million will be made to cover the budgetary shortfall in fiscal year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. A new revenue volatility provision, contained in Public Act 17-2, requires all revenue in excess of \$3.15 billion received by the State each fiscal year from estimated and final payments of the personal income tax imposed under chapter 229 of the general statutes is to be transferred to the budget reserve fund. This year estimated and final income tax collections totaled \$4,621.3 million, which resulted in a revenue volatility deposit of \$1,471.3 million to the Budget Reserve Fund. The bill also increases the Budget Reserve Fund maximum balance from 10 percent to 15 percent of net General Fund appropriation for the current fiscal year, no further transfers shall be made and the amount of the budget reserve funds in excess of that transferred shall be deemed to be appropriated, in the best interests of the State.

After the transfer was made to cover the shortfall and the deposit made for the revenue volatility provision in fiscal year 2018 the Budget Reserve Fund will have a balance of \$1,201.4 million.

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REQUIRED SUPPLEMENTARY INFORMATION PENSION PLANS

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

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

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

State of Connecticut

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

Last Four Fiscal Years*

(Expressed in Thousands)

SERS

Total Pension Liability	2017	2016	2015	2014
Service Cost	\$ 480,350	\$ 322,114	\$ 310,472	\$ 287,473
Interest	2,255,533	2,105,947	2,052,651	1,998,736
Benefit Changes	(1,444,220)	-	-	-
Difference between expected and actual experience	-	772,762	-	-
Changes of assumptions	-	4,959,705	-	-
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Net change in total pension liability	(564,024)	6,424,249	705,534	719,245
Total pension liability - beginning	33,616,716	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	\$ 33,052,692	\$ 33,616,716	\$ 27,192,467	\$ 26,486,933

Plan net position

Contributions - employer	\$ 1,542,298	\$ 1,501,805	\$ 1,371,651	\$ 1,268,890
Contributions - member	132,557	135,029	187,339	144,807
Net investment income	1,509,862	(100)	294,412	1,443,391
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(674)	(651)	-	-
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Other	(371)	85,608	-	-
Net change in plan net position	1,327,985	(14,588)	195,813	1,290,124
Plan net position - beginning	10,653,792	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	\$ 11,981,777	\$ 10,653,792	\$ 10,668,380	\$ 10,472,567
Ratio of plan net position to total pension liability	36.25%	31.69%	39.23%	39.54%
Net pension liability - ending (a) -(b)	\$ 21,070,915	\$ 22,962,924	\$ 16,524,087	\$ 16,014,366
Covered-employee payroll	\$ 3,850,978	\$ 3,720,751	\$ 3,618,361	\$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	547.16%	617.16%	456.67%	459.18%

TRS

Total Pension Liability	2017	2016	2015	2014
Service Cost	\$ 450,563	\$ 419,616	\$ 404,449	\$ 347,198
Interest	2,308,693	2,228,958	2,162,174	2,090,483
Difference between expected and actual experience	-	(375,805)	-	-
Changes of assumptions	-	2,213,190	-	-
Benefit payments	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Net change in total pension liability	796,723	2,747,828	742,886	700,537
Total pension liability - beginning	29,839,923	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	\$ 30,636,646	\$ 29,839,923	\$ 27,092,095	\$ 26,349,209

Plan net position

Contributions - employer	\$ 1,012,162	\$ 975,578	\$ 984,110	\$ 948,540
Contributions - member	288,251	293,493	228,100	261,213
Net investment income	2,199,895	(18,473)	452,942	2,277,550
Benefit payments	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Other	1,679	(37,648)	57,749	(5,307)
Net change in plan net position	1,539,454	(525,181)	(100,836)	1,744,852
Plan net position - beginning	15,594,872	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	\$ 17,134,326	\$ 15,594,872	\$ 16,120,053	\$ 16,207,755
Ratio of plan net position to total pension liability	55.93%	52.26%	59.50%	61.51%
Net pension liability - ending (a) -(b)	\$ 13,502,320	\$ 14,245,051	\$ 10,972,042	\$ 10,141,454
Covered-employee payroll	\$ 4,279,755	\$ 4,125,066	\$ 4,078,367	\$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	315.49%	345.33%	269.03%	264.68%

State of Connecticut

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

Last Four Fiscal Years*

(Expressed in Thousands)

JRS	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 10,159	\$ 8,508	\$ 8,142	\$ 7,539
Interest	29,062	28,251	27,240	26,301
Difference between expected and actual experience	-	(9,380)	-	-
Changes of assumptions	-	64,604	-	-
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Net change in total pension liability	14,322	68,989	12,841	12,172
Total pension liability - beginning	433,603	364,614	351,773	339,601
Total pension liability - ending (a)	\$ 447,925	\$ 433,603	\$ 364,614	\$ 351,773
Plan net position				
Contributions - employer	\$ 19,164	\$ 18,259	\$ 17,731	\$ 16,298
Contributions - member	1,689	1,831	1,791	1,641
Net investment income	24,452	1,440	4,781	23,156
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Other	(39)	1,680	-	-
Net change in plan net position	20,367	216	1,762	19,427
Plan net position - beginning	189,758	189,542	187,780	168,353
Plan net position - ending (b)	\$ 210,125	\$ 189,758	\$ 189,542	\$ 187,780
Ratio of plan net position to total pension liability	46.91%	43.76%	51.98%	53.38%
Net pension liability - ending (a) - (b)	\$ 237,800	\$ 243,845	\$ 175,072	\$ 163,993
Covered-employee payroll	\$ 36,467	\$ 34,897	\$ 34,972	\$ 33,386
Net pension liability as a percentage of covered-employee payroll	652.10%	698.76%	500.61%	491.20%

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

State of Connecticut

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

Last Ten Fiscal Years

(Expressed in Thousands)

<u>SERS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 1,569,142	\$ 1,514,467	\$ 1,379,189	\$ 1,268,935
Actual employer contributions	<u>1,542,298</u>	<u>1,501,805</u>	<u>1,371,651</u>	<u>1,268,890</u>
Annual contributions deficiency excess	<u>\$ 26,844</u>	<u>\$ 12,662</u>	<u>\$ 7,538</u>	<u>\$ 45</u>
Covered Payroll	\$ 3,850,978	\$ 3,720,751	\$ 3,618,361	\$ 3,355,077
Actual contributions as a percentage of covered-employee payroll	40.05%	40.36%	37.91%	37.82%
 <u>TRS</u>				
Actuarially determined employer contribution	\$ 1,012,162	\$ 975,578	\$ 984,110	\$ 948,540
Actual employer contributions	<u>1,012,162</u>	<u>975,578</u>	<u>984,110</u>	<u>948,540</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,279,755	\$ 4,125,066	\$ 4,078,367	\$ 3,930,957
Actual contributions as a percentage of covered-employee payroll	23.65%	23.65%	24.13%	24.13%
 <u>JRS</u>				
Actuarially determined employer contribution	\$ 19,164	\$ 18,259	\$ 17,731	\$ 16,298
Actual employer contributions	<u>19,164</u>	<u>18,259</u>	<u>17,731</u>	<u>16,298</u>
Annual contributions deficiency excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 36,467	\$ 34,897	\$ 34,972	\$ 33,386
Actual contributions as a percentage of covered-employee payroll	52.55%	52.32%	50.70%	48.82%

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2018.

Methods and Assumptions Used to Determine Contribution Rates:

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

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,059,652	\$ 926,372	\$ 944,077	\$ 897,428	\$ 753,698	\$ 716,944
<u>1,058,113</u>	<u>926,343</u>	<u>825,801</u>	<u>720,527</u>	<u>699,770</u>	<u>711,555</u>
<u>\$ 1,539</u>	<u>\$ 29</u>	<u>\$ 118,276</u>	<u>\$ 176,901</u>	<u>\$ 53,928</u>	<u>\$ 5,389</u>
\$ 3,304,538	\$ 3,209,782	\$ 3,308,498	\$ 2,920,661	\$ 3,497,400	\$ 3,497,400
32.02%	28.86%	24.96%	24.67%	20.01%	20.35%
\$ 787,536	\$ 757,246	\$ 581,593	\$ 559,224	\$ 539,303	\$ 518,560
<u>787,536</u>	<u>757,246</u>	<u>581,593</u>	<u>559,224</u>	<u>539,303</u>	<u>518,560</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,101,750	\$ 3,943,990	\$ 3,823,754	\$ 3,676,686	\$ 3,529,470	\$ 3,393,717
19.20%	19.20%	15.21%	15.21%	15.28%	15.28%
\$ 16,006	\$ 15,095	\$ 16,208	\$ 15,399	\$ 14,172	\$ 13,434
<u>16,006</u>	<u>15,095</u>	<u>-</u>	<u>-</u>	<u>14,173</u>	<u>13,434</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,208</u>	<u>\$ 15,399</u>	<u>\$ (1)</u>	<u>\$ -</u>
\$ 31,748	\$ 30,308	\$ 33,102	\$ 31,602	\$ 34,000	\$ 33,982
50.42%	49.81%	0.00%	0.00%	41.69%	39.53%

State of Connecticut

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

Last Five Fiscal Years*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State Employees' Retirement Fund	7.30%	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	7.04%	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	6.24%	13.04%	1.11%	2.57%	13.66%

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



REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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State of Connecticut

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

Last Fiscal Year

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability	2017
Service Cost	\$ 960,992
Interest	511,133
Difference between expected and actual experience	-
Changes of assumptions	(510,781)
Change in benefit terms	-
Benefit payments	<u>(639,467)</u>
Net change in total OPEB liability	321,877
Total OPEB liability - beginning	<u>17,583,045</u>
Total OPEB liability - ending (a)	<u>\$ 17,904,922</u>
Plan fiduciary net position	
Contributions - employer	\$ 667,401
Contributions - member	120,783
Net investment income	53,194
Benefit payments	(639,467)
Other	<u>(187)</u>
Net change in plan fiduciary net position	201,724
Plan fiduciary net position - beginning	<u>340,618</u>
Plan fiduciary net position - ending (b)	<u>\$ 542,342</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.03%
Net OPEB liability - ending (a) -(b)	<u>\$ 17,362,580</u>
Covered-employee payroll	\$ 3,743,995
Net OPEB liability as a percentage of covered-employee payroll	463.74%

RTHP

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

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

State of Connecticut

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

Last Seven and Ten Fiscal Years

(Expressed in Thousands)

<u>SEOPEBP</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 1,043,143	\$ 1,443,716	\$ 1,513,336	\$ 1,525,371	\$ 1,271,279
Actual employer contributions	<u>667,401</u>	<u>608,593</u>	<u>546,284</u>	<u>514,696</u>	<u>542,615</u>
Annual contributions deficiency excess	<u>\$ 375,742</u>	<u>\$ 835,123</u>	<u>\$ 967,052</u>	<u>\$ 1,010,675</u>	<u>\$ 728,664</u>
Covered Payroll	\$ 3,743,995	\$ 3,895,100	\$ 3,539,800	\$ 3,539,728	\$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.83%	15.62%	15.43%	14.54%	15.33%
<u>RTHP</u>					
Actuarially determined employer contribution	\$ 166,802	\$ 130,331	\$ 125,620	\$ 187,227	\$ 180,460
Actual employer contributions	<u>19,922</u>	<u>19,960</u>	<u>25,145</u>	<u>25,955</u>	<u>27,040</u>
Annual contributions deficiency excess	<u>\$ 146,880</u>	<u>\$ 110,371</u>	<u>\$ 100,475</u>	<u>\$ 161,272</u>	<u>\$ 153,420</u>
Covered Payroll	\$ 4,279,755	\$ 3,949,900	\$ 3,831,600	\$ 3,831,600	\$ 3,652,500
Actual contributions as a percentage of covered-employee payroll	0.47%	0.51%	0.66%	0.68%	0.74%

Note:

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

Valuation Date:

Actuarially determined contribution amounts are calculated as of June 30, 2017 and June 30, 2018 for SEOPEBP and RTHP respectively.

Methods and Assumptions Used to Determine Contribution Rates:

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

State of Connecticut

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

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Five Fiscal Years*

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB Fund	5.85%	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is completed, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of this measurement date (one year before the most recent fiscal year end).



*COMBINING FUND
STATEMENTS
AND
SCHEDULES*

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*NONMAJOR
GOVERNMENTAL
FUNDS*

State of Connecticut

**BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2018

(Expressed in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Assets				
Cash and Cash Equivalents	\$ 260,554	\$ 768,885	\$ 3,278	\$ 1,032,717
Investments	1,130	-	115,546	116,676
Securities Lending Collateral	-	-	7,917	7,917
Receivables:				
Accounts, Net of Allowances	35,853	-	-	35,853
Loans, Net of Allowances	359,011	-	-	359,011
From Other Governments	4,657	-	-	4,657
From Other Funds	9,284	1,152	15	10,451
Other Receivables	-	-	2	2
Total Assets	<u>\$ 670,489</u>	<u>\$ 770,037</u>	<u>\$ 126,758</u>	<u>\$ 1,567,284</u>
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 11,204	\$ 83,398	\$ -	\$ 94,602
Due to Other Funds	9,594	111,746	168	121,508
Due to Component Units	613	-	-	613
Unearned Revenue	9,010	-	-	9,010
Securities Lending Obligation	-	-	7,917	7,917
Total Liabilities	<u>30,421</u>	<u>195,144</u>	<u>8,085</u>	<u>233,650</u>
Deferred Inflows of Resources				
Receivables to be Collected in Future Periods	<u>33,122</u>	<u>-</u>	<u>-</u>	<u>33,122</u>
Fund Balances				
Nonspendable:				
Permanent Fund Principal	-	-	115,545	115,545
Restricted	597,196	575,611	3,126	1,175,933
Assigned	9,759	-	-	9,759
Unassigned	<u>(9)</u>	<u>(718)</u>	<u>2</u>	<u>(725)</u>
Total Fund Balances	<u>606,946</u>	<u>574,893</u>	<u>118,673</u>	<u>1,300,512</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 670,489</u>	<u>\$ 770,037</u>	<u>\$ 126,758</u>	<u>\$ 1,567,284</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues				
Licenses, Permits, and Fees	\$ 96,937	\$ -	\$ -	\$ 96,937
Tobacco Settlement	116,850	-	-	116,850
Federal Grants and Aid	64,792	-	-	64,792
Charges for Services	1,042	-	-	1,042
Fines, Forfeits, and Rents	957	-	-	957
Investment Earnings	3,658	-	3,279	6,937
Interest on Loans	20	-	-	20
Miscellaneous	124,457	-	7,844	132,301
Total Revenues	<u>408,713</u>	<u>-</u>	<u>11,123</u>	<u>419,836</u>
Expenditures				
Current:				
General Government	95,180	-	1,660	96,840
Regulation and Protection	163,576	-	-	163,576
Conservation and Development	169,940	-	792	170,732
Health and Hospitals	57,481	-	-	57,481
Human Services	3,064	-	-	3,064
Education, Libraries, and Museums	1,993	-	2,602	4,595
Corrections	1,747	-	-	1,747
Judicial	50,395	-	-	50,395
Capital Projects	-	879,431	-	879,431
Debt Service:				
Interest and Fiscal Charges	959	5,252	-	6,211
Total Expenditures	<u>544,335</u>	<u>884,683</u>	<u>5,054</u>	<u>1,434,072</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(135,622)</u>	<u>(884,683)</u>	<u>6,069</u>	<u>(1,014,236)</u>
Other Financing Sources (Uses)				
Bonds Issued	337,953	1,382,686	-	1,720,639
Premium on Bonds Issued	11,954	144,583	-	156,537
Transfers In	72,924	-	24	72,948
Transfers Out	(138,652)	(573,713)	(354)	(712,719)
Other Sources (Uses)	123	-	-	123
Total Other Financing Sources (Uses)	<u>284,302</u>	<u>953,556</u>	<u>(330)</u>	<u>1,237,528</u>
Net Change in Fund Balances	148,680	68,873	5,739	223,292
Fund Balances - Beginning	458,266	506,020	112,934	1,077,220
Fund Balances - Ending	<u>\$ 606,946</u>	<u>\$ 574,893</u>	<u>\$ 118,673</u>	<u>\$ 1,300,512</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

The following are included in the nonmajor special revenue funds:

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

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2018

(Expressed in Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>Banking</u>	<u>Consumer Counsel and Public Utility Control</u>	<u>Insurance</u>	<u>Criminal Injuries</u>
Assets					
Cash and Cash Equivalents	\$ 14,861	\$ 3,326	\$ 6,094	\$ 2,484	\$ 4,219
Investments	-	-	-	-	-
Receivables:					
Accounts, Net of Allowances	-	44	246	-	-
Loans, Net of Allowances	-	-	-	-	-
From Other Governments	-	-	-	-	-
From Other Funds	141	-	-	806	18
Total Assets	<u>\$ 15,002</u>	<u>\$ 3,370</u>	<u>\$ 6,340</u>	<u>\$ 3,290</u>	<u>\$ 4,237</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 579	\$ 814	\$ 769	\$ 1,190	\$ 272
Unearned Revenue	-	-	5,458	3,552	-
Due to Other Funds	148	220	210	330	-
Due to Component Units	-	-	-	-	-
Total Liabilities	<u>727</u>	<u>1,034</u>	<u>6,437</u>	<u>5,072</u>	<u>272</u>
Deferred Inflows of Resources					
Receivables to be Collected in Future Periods	-	8	169	-	-
Fund Balances					
Restricted	14,275	2,328	(266)	(1,782)	3,965
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>14,275</u>	<u>2,328</u>	<u>(266)</u>	<u>(1,782)</u>	<u>3,965</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 15,002</u>	<u>\$ 3,370</u>	<u>\$ 6,340</u>	<u>\$ 3,290</u>	<u>\$ 4,237</u>

State of Connecticut

Mashantucket Pequot and Mohegan Fund	Regional Market	Soldiers', Sailors', & Marines'	Employment Security Administration	Environmental Programs	Housing Programs	Other	Total
\$ 23	\$ -	\$ -	\$ 11,657	\$ 88,485	\$ 63,605	\$ 65,800	\$ 260,554
-	-	-	-	1,130	-	-	1,130
-	-	-	-	4	12,678	22,881	35,853
-	-	-	-	11,358	347,653	-	359,011
-	-	-	4,657	-	-	-	4,657
-	-	7,841	422	-	-	56	9,284
<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 7,841</u>	<u>\$ 16,736</u>	<u>\$ 100,977</u>	<u>\$ 423,936</u>	<u>\$ 88,737</u>	<u>\$ 670,489</u>
\$ -	\$ 26	\$ -	\$ 2,138	\$ 3,275	\$ 135	\$ 2,006	\$ 11,204
-	-	-	-	-	-	-	9,010
-	64	7,841	596	53	-	132	9,594
-	-	-	-	-	613	-	613
<u>-</u>	<u>90</u>	<u>7,841</u>	<u>2,734</u>	<u>3,328</u>	<u>748</u>	<u>2,138</u>	<u>30,421</u>
-	-	-	-	4	12,679	20,262	33,122
23	(90)	-	14,002	97,645	410,518	56,578	597,196
-	-	-	-	-	-	9,759	9,759
-	-	-	-	-	(9)	-	(9)
<u>23</u>	<u>(90)</u>	<u>-</u>	<u>14,002</u>	<u>97,645</u>	<u>410,509</u>	<u>66,337</u>	<u>606,946</u>
<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 7,841</u>	<u>\$ 16,736</u>	<u>\$ 100,977</u>	<u>\$ 423,936</u>	<u>\$ 88,737</u>	<u>\$ 670,489</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>Banking</u>	<u>Consumer</u> <u>Counsel</u> <u>Public Utility</u> <u>Control</u>	<u>Insurance</u>	<u>Criminal</u> <u>Injuries</u>
Revenues					
Licenses, Permits, and Fees	\$ -	\$ 35,054	\$ 21	\$ 49,678	\$ 860
Tobacco Settlement	-	-	-	-	-
Federal Grants and Aid	-	-	-	-	-
Charges for Services	17	-	-	-	-
Fines, Forfeits, and Rents	-	-	-	-	56
Investment Earnings	416	-	-	2,109	57
Interest on Loans	-	-	-	-	-
Miscellaneous	18,097	1,420	22,877	28,288	1,950
Total Revenues	<u>18,530</u>	<u>36,474</u>	<u>22,898</u>	<u>80,075</u>	<u>2,923</u>
Expenditures					
Current:					
Legislative	-	-	-	-	-
General Government	657	-	-	487	-
Regulation and Protection	19,336	21,854	2,205	31,861	-
Conservation and Development	-	670	20,830	69	-
Health and Hospitals	-	-	-	52,510	-
Human Services	2,053	-	-	376	-
Education, Libraries, and Museums	-	-	-	-	-
Corrections	-	-	-	-	-
Judicial	-	2,918	-	-	2,545
Debt Service:					
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>22,046</u>	<u>25,442</u>	<u>23,035</u>	<u>85,303</u>	<u>2,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,516)</u>	<u>11,032</u>	<u>(137)</u>	<u>(5,228)</u>	<u>378</u>
Other Financing Sources (Uses)					
Bonds Issued	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-
Transfers In	-	-	-	74	-
Transfers Out	-	(11,200)	(2,500)	-	-
Other Sources (Uses)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,200)</u>	<u>(2,500)</u>	<u>74</u>	<u>-</u>
Net Change in Fund Balances	(3,516)	(168)	(2,637)	(5,154)	378
Fund Balances - Beginning	17,791	2,496	2,371	3,372	3,587
Fund Balances-Ending	<u>\$ 14,275</u>	<u>\$ 2,328</u>	<u>\$ (266)</u>	<u>\$ (1,782)</u>	<u>\$ 3,965</u>

State of Connecticut

Mashantucket Pequot and Mohegan Fund	Regional Market	Employment Security Administration	Environmental Programs	Housing Programs	Other	Total
\$ -	\$ -	\$ 3,249	\$ 2,701	\$ -	\$ 5,374	\$ 96,937
-	-	-	-	-	116,850	116,850
-	-	64,792	-	-	-	64,792
-	-	-	-	-	1,025	1,042
-	858	-	-	-	43	957
-	1	92	231	94	658	3,658
-	-	-	20	-	-	20
-	-	158	1,915	1,746	48,006	124,457
-	859	68,291	4,867	1,840	171,956	408,713
-	-	-	-	-	-	-
57,650	-	-	3,621	28,336	4,429	95,180
-	-	77,498	-	-	10,822	163,576
-	1,002	-	85,406	61,139	824	169,940
-	-	-	2,253	-	2,718	57,481
-	-	-	-	-	635	3,064
-	-	-	-	-	1,993	1,993
-	-	-	-	-	1,747	1,747
-	-	-	-	-	44,932	50,395
-	-	-	342	617	-	959
57,650	1,002	77,498	91,622	90,092	68,100	544,335
(57,650)	(143)	(9,207)	(86,755)	(88,252)	103,856	(135,622)
-	-	-	160,000	177,953	-	337,953
-	-	-	9,870	2,084	-	11,954
57,650	-	9,700	-	-	5,500	72,924
-	-	-	(10,344)	(1,468)	(113,140)	(138,652)
-	-	-	123	-	-	123
57,650	-	9,700	159,649	178,569	(107,640)	284,302
-	(143)	493	72,894	90,317	(3,784)	148,680
23	53	13,509	24,751	320,192	70,121	458,266
<u>\$ 23</u>	<u>\$ (90)</u>	<u>\$ 14,002</u>	<u>\$ 97,645</u>	<u>\$ 410,509</u>	<u>\$ 66,337</u>	<u>\$ 606,946</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

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

The following are included in the nonmajor capital projects funds:

- State Facilities
- Infrastructure
- Other Transportation

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS**

June 30, 2018

(Expressed in Thousands)

	State			
	<u>Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 425,037	343,848	\$ -	\$ 768,885
Receivables:				
Due From Other Funds	<u>1,152</u>	<u>-</u>	<u>-</u>	<u>1,152</u>
Total Assets	<u>\$ 426,189</u>	<u>\$ 343,848</u>	<u>\$ -</u>	<u>\$ 770,037</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 38,831	\$ 44,567	\$ -	\$ 83,398
Due To Other Funds	<u>110,658</u>	<u>370</u>	<u>718</u>	<u>111,746</u>
Total Liabilities	<u>149,489</u>	<u>44,937</u>	<u>718</u>	<u>195,144</u>
Fund Balances				
Restricted	276,700	298,911	-	575,611
Unassigned	<u>-</u>	<u>-</u>	<u>(718)</u>	<u>(718)</u>
Total Fund Balances (Deficit)	<u>276,700</u>	<u>298,911</u>	<u>(718)</u>	<u>574,893</u>
Total Liabilities and Fund Balances	<u>\$ 426,189</u>	<u>\$ 343,848</u>	<u>\$ -</u>	<u>\$ 770,037</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	<u>State</u>			
	<u>Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Expenditures				
Capital Projects	\$ 102,517	\$ 776,914	\$ -	\$ 879,431
Debt Service:				
Interest and Fiscal Charges	<u>1,599</u>	<u>3,653</u>	<u>-</u>	<u>5,252</u>
Total Expenditures	<u>104,116</u>	<u>780,567</u>	<u>-</u>	<u>884,683</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(104,116)</u>	<u>(780,567)</u>	<u>-</u>	<u>(884,683)</u>
Other Financing Sources (Uses)				
Bonds Issued	582,686	800,000	-	1,382,686
Premium on Bonds Issued	34,696	109,887	-	144,583
Transfer Out	<u>(523,063)</u>	<u>(50,650)</u>	<u>-</u>	<u>(573,713)</u>
Total Other Financing Sources	<u>94,319</u>	<u>859,237</u>	<u>-</u>	<u>953,556</u>
Net Change in Fund Balances	(9,797)	78,670	-	68,873
Fund Balances (Deficit) - Beginning	<u>286,497</u>	<u>220,241</u>	<u>(718)</u>	<u>506,020</u>
Fund Balances (Deficit) - Ending	<u>\$ 276,700</u>	<u>\$ 298,911</u>	<u>\$ (718)</u>	<u>\$ 574,893</u>

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NONMAJOR PERMANENT FUNDS

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

The following are included in the nonmajor permanent funds:

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

State of Connecticut

**COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS**

June 30, 2018

(Expressed in Thousands)

	Soldiers', Sailors', & Marines'	Connecticut Arts Endowment	Other	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ 3,278	\$ 3,278
Investments	76,119	20,061	19,366	115,546
Securities Lending Collateral	4,769	1,946	1,202	7,917
Other Receivables	2	-	-	2
Due From Other Funds	-	-	15	15
Total Assets	<u>\$ 80,890</u>	<u>\$ 22,007</u>	<u>\$ 23,861</u>	<u>\$ 126,758</u>
Liabilities and Fund Balance				
Liabilities				
Due To Other Funds	\$ -	\$ -	\$ 168	\$ 168
Securities Lending Obligation	4,769	1,946	1,202	7,917
Total Liabilities	<u>4,769</u>	<u>1,946</u>	<u>1,370</u>	<u>8,085</u>
Fund Balances				
Nonspendable:				
Permanent Fund Principal	76,119	20,060	19,366	115,545
Restricted	-	1	3,125	3,126
Unassigned	2	-	-	2
Total Fund Balances	<u>76,121</u>	<u>20,061</u>	<u>22,491</u>	<u>118,673</u>
Total Liabilities and Fund Balances	<u>\$ 80,890</u>	<u>\$ 22,007</u>	<u>\$ 23,861</u>	<u>\$ 126,758</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	<u>Soldiers', Sailors', & Marines'</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Revenues				
Investment Earnings	\$ 1,873	\$ 878	\$ 528	\$ 3,279
Miscellaneous	7,843	-	1	7,844
Total Revenues	9,716	878	529	11,123
Expenditures				
General Government	1,660	-	-	1,660
Conservation and Development	-	792	-	792
Education, Libraries, and Museums	-	-	2,602	2,602
Total Expenditures	1,660	792	2,602	5,054
Excess (Deficiency) of Revenues Over Expenditures	8,056	86	(2,073)	6,069
Other Financing Sources (Uses)				
Transfers Out	-	-	(354)	(354)
Transfers In	-	-	24	24
Total Other Financing Sources (Uses)	-	-	(330)	(330)
Net Change in Fund Balances	8,056	86	(2,403)	5,739
Fund Balances - Beginning	68,065	19,975	24,894	112,934
Fund Balances - Ending	\$ 76,121	\$ 20,061	\$ 22,491	\$ 118,673

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NONMAJOR ENTERPRISE FUNDS

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

The following are included in the nonmajor enterprise funds:

Bradley Parking Garage
Second Injury and Compensation Insurance
Drinking Water

State of Connecticut

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

June 30, 2018

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 49,908	\$ 148	\$ 5,302	\$ 55,358
Accounts Receivable, Net of Allowances	6,016	293	-	6,309
Loans, Net of Allowances	-	-	22,898	22,898
Interest Receivable	-	-	195	195
Other	37	-	-	37
Total Current Assets	<u>55,961</u>	<u>441</u>	<u>28,395</u>	<u>84,797</u>
Noncurrent Assets:				
Cash and Cash Equivalents	-	-	92,051	92,051
Receivables:				
Loans, Net of Allowances	-	-	142,644	142,644
Restricted Assets	-	15,862	53,930	69,792
Capital Assets, Net of Accumulated Depreciation	-	24,283	-	24,283
Other Noncurrent Assets	-	224	-	224
Total Noncurrent Assets	<u>-</u>	<u>40,369</u>	<u>288,625</u>	<u>328,994</u>
Total Assets	<u>\$ 55,961</u>	<u>\$ 40,810</u>	<u>\$ 317,020</u>	<u>\$ 413,791</u>
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	\$ -	\$ -	\$ 181	\$ 181
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181</u>	<u>\$ 181</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 8,142	\$ 2,327	\$ 1,374	\$ 11,843
Current Portion of Long-Term Debt	554	2,935	7,119	10,608
Total Current Liabilities	<u>8,696</u>	<u>5,262</u>	<u>8,493</u>	<u>22,451</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Liabilities	1,307	49,137	120,625	171,069
Total Noncurrent Liabilities	<u>1,307</u>	<u>49,137</u>	<u>120,625</u>	<u>171,069</u>
Total Liabilities	<u>\$ 10,003</u>	<u>\$ 54,399</u>	<u>\$ 129,118</u>	<u>\$ 193,520</u>
Deferred Inflows of Resources				
Deferred Inflows Collected in Future Periods	\$ -	\$ -	\$ 25	\$ 25
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 25</u>
Net Position (Deficit)				
Net Investment in Capital Assets	\$ -	\$ (983)	\$ -	\$ (983)
Restricted for:				
Debt Service	-	4,508	-	4,508
Drinking Water Projects	-	-	158,447	158,447
Unrestricted (Deficit)	45,958	(17,114)	29,611	58,455
Total Net Position (Deficit)	<u>\$ 45,958</u>	<u>\$ (13,589)</u>	<u>\$ 188,058</u>	<u>\$ 220,427</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Total
Operating Revenues				
Assessments	\$ 35,617	\$ -	\$ -	\$ 35,617
Charges for Sales and Services (Net of discounts \$1,901)	-	30,019	-	30,019
Interest on Loans	-	-	3,165	3,165
Miscellaneous	1,146	-	-	1,146
Total Operating Revenues	36,763	30,019	3,165	69,947
Operating Expenses				
Salaries, Wages, and Administrative	7,141	9,114	4,642	20,897
Claims Paid	26,164	-	-	26,164
Depreciation and Amortization	-	1,123	-	1,123
Other	-	-	2,548	2,548
Total Operating Expenses	33,305	10,237	7,190	50,732
Operating Income	3,458	19,782	(4,025)	19,215
Nonoperating Revenues (Expenses)				
Interest and Investment Income	629	188	2,301	3,118
Interest and Fiscal Charges	-	(1,959)	(5,119)	(7,078)
Other	-	(12,694)	1,027	(11,667)
Total Nonoperating Income (Expense)	629	(14,465)	(1,791)	(15,627)
Income (Loss) Before Grants and Transfers	4,087	5,317	(5,816)	3,588
Federal Capitalization Grants	-	-	11,189	11,189
Transfers In	-	-	225	225
Change in Net Position	4,087	5,317	5,598	15,002
Total Net Position (Deficit) - Beginning	41,871	(18,906)	182,460	205,425
Total Net Position (Deficit) - Ending	\$ 45,958	\$ (13,589)	\$ 188,058	\$ 220,427

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Second Injury & Compensation Assurance	Bradley Parking Garage	Drinking Water	Totals
Cash Flows from Operating Activities				
Receipts from Customers	\$ 37,420	\$ 29,898	\$ 14,274	\$ 81,592
Payments to Suppliers	-	(7,276)	(2,548)	(9,824)
Payments to Employees	(7,114)	(1,943)	(2,419)	(11,476)
Other Receipts (Payments)	(24,505)	(1,755)	(30,700)	(56,960)
Net Cash Provided by (Used in) Operating Activities	<u>5,801</u>	<u>18,924</u>	<u>(21,393)</u>	<u>3,332</u>
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	(2,750)	(6,779)	(9,529)
Interest of Bonds	-	(2,925)	(5,103)	(8,028)
Transfers In	-	-	225	225
Other Receipts (Payments)	-	(12,843)	-	(12,843)
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>(18,518)</u>	<u>(11,657)</u>	<u>(30,175)</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	-	(593)	-	(593)
Federal Grant	-	-	11,817	11,817
Net Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(593)</u>	<u>11,817</u>	<u>11,224</u>
Cash Flows from Investing Activities				
Interest on Investments	621	188	2,338	3,147
Other Receipts (Payments)	-	-	19,522	19,522
Net Cash Flows from Investing Activities	<u>621</u>	<u>188</u>	<u>21,860</u>	<u>22,669</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,422	1	627	7,050
Cash and Cash Equivalents - Beginning of Year	43,486	147	4,675	48,308
Cash and Cash Equivalents - End of Year	<u>\$ 49,908</u>	<u>\$ 148</u>	<u>\$ 5,302</u>	<u>\$ 55,358</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ 3,458	\$ 19,782	\$ (4,025)	\$ 19,215
Adjustments not Affecting Cash:				
Depreciation and Amortization	-	1,123	-	1,123
Other	-	295	-	295
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	1,783	(122)	19	1,680
(Increase) Decrease in Inventories and Other Assets	(4)	770	(17,387)	(16,621)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	564	(2,924)	-	(2,360)
Total Adjustments	<u>2,343</u>	<u>(858)</u>	<u>(17,368)</u>	<u>(15,883)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 5,801</u>	<u>\$ 18,924</u>	<u>\$ (21,393)</u>	<u>\$ 3,332</u>



NONMAJOR INTERNAL SERVICE FUNDS

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

The following are included in the nonmajor internal service funds:

Correction Industries
Administrative Services
Information Technology

State of Connecticut

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

June 30, 2018

(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	\$ 5,342	\$ 3,372	\$ -	\$ 8,714
Receivables, Net of Allowances	12	62	6	80
Due From Other Funds	426	2,228	1,846	4,500
Inventories	4,090	-	78	4,168
Other Current Assets	8	-	158	166
Total Current Assets	<u>9,878</u>	<u>5,662</u>	<u>2,088</u>	<u>17,628</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	1,403	-	43,571	44,974
Other Noncurrent Assets	-	-	145	145
Total Noncurrent Assets	<u>1,403</u>	<u>-</u>	<u>43,716</u>	<u>45,119</u>
Total Assets	<u>\$ 11,281</u>	<u>\$ 5,662</u>	<u>\$ 45,804</u>	<u>\$ 62,747</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 926	\$ 337	\$ 237	\$ 1,500
Due To Other Funds	-	-	8,690	8,690
Compensated Absences-Current Portion	50	14	20	84
Total Current Liabilities	<u>976</u>	<u>351</u>	<u>8,947</u>	<u>10,274</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	705	-	705
Compensated Absences	693	245	365	1,303
Total Noncurrent Liabilities	<u>693</u>	<u>950</u>	<u>365</u>	<u>2,008</u>
Total Liabilities	<u>\$ 1,669</u>	<u>\$ 1,301</u>	<u>\$ 9,312</u>	<u>\$ 12,282</u>
Net Position				
Net Investment in Capital Assets	\$ 1,403	\$ -	\$ 43,716	\$ 45,119
Unrestricted (Deficit)	8,209	4,361	(7,224)	5,346
Total Net Position	<u>\$ 9,612</u>	<u>\$ 4,361</u>	<u>\$ 36,492</u>	<u>\$ 50,465</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(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	\$ 23,969	\$ 4,109	\$ 24,651	\$ 52,729
Miscellaneous	185	-	-	185
Total Operating Revenues	<u>24,154</u>	<u>4,109</u>	<u>24,651</u>	<u>52,914</u>
Operating Expenses				
Salaries, Wages, and Administrative	22,645	3,699	6,730	33,074
Depreciation and Amortization	797	-	17,152	17,949
Total Operating Expenses	<u>23,442</u>	<u>3,699</u>	<u>23,882</u>	<u>51,023</u>
Operating Income	<u>712</u>	<u>410</u>	<u>769</u>	<u>1,891</u>
Nonoperating Revenue (Expenses)				
Investment Income	450	-	-	450
Other Nonoperating Revenue (Expense)	(299)	-	-	(299)
Total Nonoperating Revenue (Expense)	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>
Income (Loss) before Transfers	<u>863</u>	<u>410</u>	<u>769</u>	<u>2,042</u>
Transfer Out	(2,000)	(3,000)	-	(5,000)
Change in Net Position	<u>(1,137)</u>	<u>(2,590)</u>	<u>769</u>	<u>(2,958)</u>
Total Net Position - Beginning	<u>10,749</u>	<u>6,951</u>	<u>35,723</u>	<u>53,423</u>
Total Net Position - Ending	<u>\$ 9,612</u>	<u>\$ 4,361</u>	<u>\$ 36,492</u>	<u>\$ 50,465</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(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	\$ 23,979	\$ 4,474	\$ 24,783	\$ 53,236
Payments to Suppliers	(19,612)	(1,220)	(7,190)	(28,022)
Payments to Employees	(3,236)	(2,816)	(3,829)	(9,881)
Other Receipts (Payments)	230	-	(41)	189
Net Cash Provided by (Used in) Operating Activities	<u>1,361</u>	<u>438</u>	<u>13,723</u>	<u>15,522</u>
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(284)	-	(13,723)	(14,007)
Net Cash Flows from Capital and Related Financing Activities	<u>(284)</u>	<u>-</u>	<u>(13,723)</u>	<u>(14,007)</u>
Cash Flows from Noncapital Financing Activities				
Other Receipts (Payments)	(299)	-	-	(299)
Transfers Out	(2,000)	(3,000)	-	(5,000)
Net Cash Flows from Noncapital Financing Activities	<u>(2,299)</u>	<u>(3,000)</u>	<u>-</u>	<u>(5,299)</u>
Cash Flows from Investing Activities				
Interest on Investments	450	-	-	450
Net Cash Flows from Investing Activities	<u>450</u>	<u>-</u>	<u>-</u>	<u>450</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(772)	(2,562)	-	(3,334)
Cash and Cash Equivalents - Beginning of Year	6,114	5,934	-	12,048
Cash and Cash Equivalents - End of Year	<u>\$ 5,342</u>	<u>\$ 3,372</u>	<u>\$ -</u>	<u>\$ 8,714</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income	\$ 712	\$ 410	\$ 769	\$ 1,891
Adjustments Not Affecting Cash:				
Depreciation	797	-	17,152	17,949
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	-	1	25	26
(Increase) Decrease in Due From Other Funds	9	363	107	479
(Increase) Decrease in Inventories and Other Assets	45	-	(41)	4
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(202)	(336)	(4,289)	(4,827)
Total Adjustments	<u>649</u>	<u>28</u>	<u>12,954</u>	<u>13,631</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 1,361</u>	<u>\$ 438</u>	<u>\$ 13,723</u>	<u>\$ 15,522</u>



PENSION AND (OTHER EMPLOYEE BENEFIT) TRUST FUNDS

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

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

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

State of Connecticut

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

June 30, 2018

(Expressed in Thousands)

	Pension Trust			Connecticut Municipal Employees
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	
Assets				
Current:				
Cash and Cash Equivalents	\$ 8,348	\$ 6,397	\$ 50	\$ 1,760
Receivables:				
Accounts, Net of Allowances	11,402	12,108	8	17,703
From Other Governments	-	885	-	-
From Other Funds	538	25	-	36
Interest	334	1,008	3	24
Investments	12,506,984	17,936,760	222,747	2,627,389
Securities Lending Collateral	953,550	1,302,278	21,076	247,526
Noncurrent:				
Due From Employers	-	-	-	19,113
Total Assets	\$ 13,481,156	\$ 19,259,461	\$ 243,884	\$ 2,913,551
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 64	\$ 8,510	\$ -	\$ -
Securities Lending Obligation	953,550	1,302,278	21,076	247,526
Due to Other Funds	-	1,834	-	-
Total Liabilities	\$ 953,614	\$ 1,312,622	\$ 21,076	\$ 247,526
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	\$ 12,527,542	\$ 17,946,839	\$ 222,808	\$ 2,666,025
Total Net Position	\$ 12,527,542	\$ 17,946,839	\$ 222,808	\$ 2,666,025

State of Connecticut

<u>Pension Trust</u>		<u>Other Employee Benefits</u>				
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teacher Healthcare Plan</u>	<u>Policemen, Firemen, and Survivors' Benefits</u>	<u>State Employee OPEB Plan</u>		<u>Total</u>
\$ 11	\$ 375	\$ 34,927	\$ 16	\$ 36,596		\$ 88,480
4	-	-	-	-		41,225
-	-	-	-	-		885
-	2	1,798	-	124		2,523
2	-	-	1	-		1,372
99,881	1,932	-	34,620	845,559		34,275,872
9,654	181	-	3,008	60,645		2,597,918
-	-	-	-	-		19,113
<u>\$ 109,552</u>	<u>\$ 2,490</u>	<u>\$ 36,725</u>	<u>\$ 37,645</u>	<u>\$ 942,924</u>		<u>\$ 37,027,388</u>
\$ 14	\$ -	\$ 13,089	\$ -	\$ 32,390		\$ 54,067
9,654	181	-	3,008	60,645		2,597,918
-	-	-	-	-		1,834
<u>\$ 9,668</u>	<u>\$ 181</u>	<u>\$ 13,089</u>	<u>\$ 3,008</u>	<u>\$ 93,035</u>		<u>\$ 2,653,819</u>
<u>\$ 99,884</u>	<u>\$ 2,309</u>	<u>\$ 23,636</u>	<u>\$ 34,637</u>	<u>\$ 849,889</u>		<u>\$ 34,373,569</u>
<u>\$ 99,884</u>	<u>\$ 2,309</u>	<u>\$ 23,636</u>	<u>\$ 34,637</u>	<u>\$ 849,889</u>		<u>\$ 34,373,569</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	Pension Trust			
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
Additions				
Contributions:				
Plan Members	\$ 193,942	\$ 312,150	\$ 1,663	\$ 24,995
State	1,443,053	1,271,033	25,458	-
Municipalities	-	1,244	-	198,484
Total Contributions	<u>1,636,995</u>	<u>1,584,427</u>	<u>27,121</u>	<u>223,479</u>
Investment Income	926,057	1,295,010	13,932	158,307
Less: Investment Expenses	<u>(50,113)</u>	<u>(70,079)</u>	<u>(754)</u>	<u>(8,567)</u>
Net Investment Income	<u>875,944</u>	<u>1,224,931</u>	<u>13,178</u>	<u>149,740</u>
Other	-	-	-	50
Total Additions	<u>2,512,939</u>	<u>2,809,358</u>	<u>40,299</u>	<u>373,269</u>
Deductions				
Administrative Expense	391	-	-	-
Benefit Payments and Refunds	1,963,644	1,994,092	27,580	167,153
Other	<u>3,139</u>	<u>2,753</u>	<u>36</u>	<u>273,875</u>
Total Deductions	<u>1,967,174</u>	<u>1,996,845</u>	<u>27,616</u>	<u>441,028</u>
Changes in Net Position	545,765	812,513	12,683	(67,759)
Net Position Held in Trust For				
Pension and Other Employee Benefits				
Beginning of Year	<u>11,981,777</u>	<u>17,134,326</u>	<u>210,125</u>	<u>2,733,784</u>
End of Year	<u>\$ 12,527,542</u>	<u>\$ 17,946,839</u>	<u>\$ 222,808</u>	<u>\$ 2,666,025</u>

State of Connecticut

<u>Pension Trust</u>		<u>Other Employee Benefits</u>			
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teacher Healthcare Plan</u>	<u>Policemen, Firemen, and Survivors' Benefits</u>	<u>State Employee OPEB Plan</u>	<u>Total</u>
\$ 233	\$ 44	\$ 94,107	\$ 577	\$ 116,814	\$ 744,525
-	-	19,199	-	801,893	3,560,636
-	-	-	633	-	200,361
<u>233</u>	<u>44</u>	<u>113,306</u>	<u>1,210</u>	<u>918,707</u>	<u>4,505,522</u>
6,130	115	669	2,286	39,118	2,441,624
(332)	(6)	-	(124)	(2,117)	(132,092)
<u>5,798</u>	<u>109</u>	<u>669</u>	<u>2,162</u>	<u>37,001</u>	<u>2,309,532</u>
4,220	5	-	-	186	4,461
<u>10,251</u>	<u>158</u>	<u>113,975</u>	<u>3,372</u>	<u>955,894</u>	<u>6,819,515</u>
-	-	7,654	-	-	8,045
5,438	-	146,061	1,188	648,347	4,953,503
-	-	52	7	-	279,862
<u>5,438</u>	<u>-</u>	<u>153,767</u>	<u>1,195</u>	<u>648,347</u>	<u>5,241,410</u>
4,813	158	(39,792)	2,177	307,547	1,578,105
<u>95,071</u>	<u>2,151</u>	<u>63,428</u>	<u>32,460</u>	<u>542,342</u>	<u>32,795,464</u>
<u>\$ 99,884</u>	<u>\$ 2,309</u>	<u>\$ 23,636</u>	<u>\$ 34,637</u>	<u>\$ 849,889</u>	<u>\$ 34,373,569</u>

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AGENCY FUNDS

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

The following are included in the agency funds:

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

State of Connecticut

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

June 30, 2018

(Expressed in Thousands)

	Fringe Benefit Clearing	Receipts Pending Distribution	Insurance Companies' Securities	State Institution Activity	Other	Total
Assets						
Cash and Cash Equivalents	\$ -	\$ 52,021	\$ -	\$ 24,290	\$ 62,204	\$ 138,515
Receivables:						
Accounts, Net of Allowances	-	2,283	-	73	8,547	10,903
Interest	-	-	-	29	72	101
Inventories	-	-	-	11	-	11
Other Assets	-	-	316,212	16	14,095	330,323
Total Assets	<u>\$ -</u>	<u>\$ 54,304</u>	<u>\$ 316,212</u>	<u>\$ 24,419</u>	<u>\$ 84,918</u>	<u>\$ 479,853</u>
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 45,581	\$ -	\$ 1,372	\$ 125	\$ 47,078
Due To Other Funds	379	-	-	-	-	379
Funds Held for Others	(379)	8,723	316,212	23,047	84,793	432,396
Total Liabilities	<u>\$ -</u>	<u>\$ 54,304</u>	<u>\$ 316,212</u>	<u>\$ 24,419</u>	<u>\$ 84,918</u>	<u>\$ 479,853</u>

State of Connecticut

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

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Fringe Benefit Clearing</u>				
Assets				
From Other Funds	\$ 4,149	\$ -	\$ 4,149	\$ -
Total Assets	<u>\$ 4,149</u>	<u>\$ -</u>	<u>\$ 4,149</u>	<u>\$ -</u>
Liabilities				
Due to Other Funds	\$ 379	\$ 379	\$ 379	\$ 379
Funds Held for Others	3,770	379	4,528	(379)
Total Liabilities	<u>\$ 4,149</u>	<u>\$ 758</u>	<u>\$ 4,907</u>	<u>\$ -</u>
<u>Receipts Pending Distribution</u>				
Assets				
Cash and Cash Equivalents	\$ 77,421	\$ 3,429	\$ 28,829	\$ 52,021
Accounts, Net of Allowances	1,399	2,283	1,399	2,283
Total Assets	<u>\$ 78,820</u>	<u>\$ 5,712</u>	<u>\$ 30,228</u>	<u>\$ 54,304</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 56,046	\$ 45,581	\$ 56,046	\$ 45,581
Funds Held for Others	22,774	2,283	16,334	8,723
Total Liabilities	<u>\$ 78,820</u>	<u>\$ 47,864</u>	<u>\$ 72,380</u>	<u>\$ 54,304</u>
<u>Insurance Companies' Securities</u>				
Assets				
Other Assets	\$ 315,606	\$ 316,212	\$ 315,606	\$ 316,212
Total Assets	<u>\$ 315,606</u>	<u>\$ 316,212</u>	<u>\$ 315,606</u>	<u>\$ 316,212</u>
Liabilities				
Funds Held for Others	\$ 315,606	\$ 316,212	\$ 315,606	\$ 316,212
Total Liabilities	<u>\$ 315,606</u>	<u>\$ 316,212</u>	<u>\$ 315,606</u>	<u>\$ 316,212</u>
<u>State Institution Activity</u>				
Assets				
Cash and Cash Equivalents	\$ 25,111	\$ 24,290	\$ 25,111	\$ 24,290
Accounts, Net of Allowances	11	73	11	73
Interest	16	29	16	29
Inventories	-	11	-	11
Other Assets	-	16	-	16
Total Assets	<u>\$ 25,138</u>	<u>\$ 24,419</u>	<u>\$ 25,138</u>	<u>\$ 24,419</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 440	\$ 1,372	\$ 440	\$ 1,372
Funds Held for Others	24,698	23,047	24,698	23,047
Total Liabilities	<u>\$ 25,138</u>	<u>\$ 24,419</u>	<u>\$ 25,138</u>	<u>\$ 24,419</u>

continues

State of Connecticut

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

continued

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Other				
Assets				
Cash and Cash Equivalents	\$ 96,312	\$ 59,005	\$ 93,113	\$ 62,204
Accounts, Net of Allowances	8,978	8,547	8,978	8,547
Interest	53	72	53	72
Other Assets	16,029	14,095	16,029	14,095
Total Assets	<u>\$ 121,372</u>	<u>\$ 81,719</u>	<u>\$ 118,173</u>	<u>\$ 84,918</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 103	\$ 125	\$ 103	\$ 125
Funds Held for Others	121,269	81,720	118,196	84,793
Total Liabilities	<u>\$ 121,372</u>	<u>\$ 81,845</u>	<u>\$ 118,299</u>	<u>\$ 84,918</u>
Total - All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 198,844	\$ 86,724	\$ 147,053	\$ 138,515
Accounts, Net of Allowances	10,388	10,903	10,388	10,903
From Other Funds	4,149	-	4,149	-
Interest	69	101	69	101
Inventories	-	11	-	11
Other Assets	331,635	330,323	331,635	330,323
Total Assets	<u>\$ 545,085</u>	<u>\$ 428,062</u>	<u>\$ 493,294</u>	<u>\$ 479,853</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 56,589	\$ 47,078	\$ 56,589	\$ 47,078
Due to Other Funds	379	379	379	379
Funds Held for Others	488,117	423,641	479,362	432,396
Total Liabilities	<u>\$ 545,085</u>	<u>\$ 471,098</u>	<u>\$ 536,330</u>	<u>\$ 479,853</u>



NONMAJOR COMPONENT UNITS

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

The following are included in the nonmajor component units:

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

State of Connecticut

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

June 30, 2018

(Expressed in Thousands)

	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health and Educational Facilities Authority	Connecticut Student Loan Foundation	Materials, Innovations, and Recycling Authority
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 6,918	\$ 1,182	\$ 891	\$ 32,727
Investments	-	6,981	-	-
Receivables:				
Accounts, Net of Allowances	-	396	17	5,587
Loans, Net of Allowances	449	-	-	-
Interest Receivable	19	-	-	-
Due From Primary Government	-	-	-	-
Restricted Assets	50,869	228,770	27,020	206
Inventories	-	-	-	6,203
Other Current Assets	18	125	1	2,496
Total Current Assets	<u>58,273</u>	<u>237,454</u>	<u>27,929</u>	<u>47,219</u>
Noncurrent Assets:				
Investments	-	-	-	-
Accounts, Net of Allowances	-	-	-	-
Loans, Net of Allowances	4,209	-	-	-
Restricted Assets	119,988	6,665	198,154	-
Capital Assets, Net of Accumulated Depreciation	3	106	-	80,230
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	<u>124,200</u>	<u>6,771</u>	<u>198,154</u>	<u>80,230</u>
Total Assets	<u>\$ 182,473</u>	<u>\$ 244,225</u>	<u>\$ 226,083</u>	<u>\$ 127,449</u>
Deferred Outflows of Resources				
Related to Pensions & Other Postemployment	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Current Liabilities:				
Accounts Payable & Accrued Liabilities	\$ 843	\$ 192	\$ 2,912	\$ 8,128
Current Portion of Long-Term Obligations	10,155	-	-	-
Due To Primary Government	-	-	-	-
Amounts Held for Institutions	-	227,870	-	-
Total Current Liabilities	<u>10,998</u>	<u>228,062</u>	<u>2,912</u>	<u>8,128</u>
Noncurrent Liabilities:				
Pension Liability	-	-	-	-
Noncurrent Portion of Long-Term Obligations	141,810	2,170	199,181	-
Total Noncurrent Liabilities	<u>141,810</u>	<u>2,170</u>	<u>199,181</u>	<u>-</u>
Total Liabilities	<u>\$ 152,808</u>	<u>\$ 230,232</u>	<u>\$ 202,093</u>	<u>\$ 8,128</u>
Deferred Inflows of Resources				
Unamortized Investment Earnings	\$ -	\$ -	\$ -	\$ -
Related to Pensions & Other Postemployment	-	-	-	-
Other Deferred Inflows	7	-	-	-
Total Deferred Inflows of Resources	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position				
Net Investment in Capital Assets	\$ -	\$ 106	\$ -	\$ 80,230
Restricted:				
Expendable Endowments	-	-	-	-
Nonexpendable Endowments	-	-	-	-
Other Purposes	18,090	4,487	4,693	49
Unrestricted	11,568	9,400	19,297	39,042
Total Net Position	<u>\$ 29,658</u>	<u>\$ 13,993</u>	<u>\$ 23,990</u>	<u>\$ 119,321</u>

State of Connecticut

Connecticut Innovations, Incorporated	UConn Foundation	Capital Region Development Authority	Connecticut Green Bank	Total
\$ 60,369	\$ 6,948	\$ 6,907	\$ 19,831	\$ 135,773
799	499,567	6,646	-	513,993
-	22,918	1,259	3,395	33,572
5,884	-	5,401	-	11,734
540	-	-	-	559
1,098	-	-	-	1,098
-	-	14,200	-	321,065
-	-	-	-	6,203
261	-	817	6,536	10,254
68,951	529,433	35,230	29,762	1,034,251
103,586	-	-	-	103,586
-	39,671	-	-	39,671
29,359	-	44,325	-	77,893
14,854	-	5,247	24,368	369,276
82	5,104	287,208	73,418	446,151
94	1,241	1,191	56,858	59,384
147,975	46,016	337,971	154,644	1,095,961
\$ 216,926	\$ 575,449	\$ 373,201	\$ 184,406	\$ 2,130,212
6,987	-	-	24,778	31,765
38	-	-	-	38
\$ 7,025	\$ -	\$ -	\$ 24,778	\$ 31,803
13,395	7,005	23,029	13,017	68,521
585	3,166	4,152	413	18,471
-	-	40,150	14,000	54,150
-	-	-	-	227,870
13,980	10,171	67,331	27,430	369,012
46,968	-	-	49,512	96,480
2,809	30,848	82,426	42,191	501,435
49,777	30,848	82,426	91,703	597,915
\$ 63,757	\$ 41,019	\$ 149,757	\$ 119,133	\$ 966,927
-	-	-	672	672
10,368	-	-	-	10,368
-	-	-	-	7
\$ 10,368	\$ -	\$ -	\$ 672	\$ 11,047
82	-	161,080	2,251	243,749
-	124,058	-	-	124,058
-	410,453	-	66,496	476,949
12,496	-	55,637	19,250	114,702
137,248	(81)	6,727	1,382	224,583
\$ 149,826	\$ 534,430	\$ 223,444	\$ 89,379	\$ 1,184,041

State of Connecticut

**COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS**

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Higher Education Supplemental Loan Authority	\$ 10,656	\$ 12,027	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	7,264	7,957	-	-
Connecticut Student Loan Foundation	12,602	10,682	-	-
Materials, Innovations, and Recycling Authority	81,552	73,889	-	-
Connecticut Innovations, Incorporated	32,062	24,959	-	-
UConn Foundation	51,186	77,116	-	-
Capital Region Development Authority	57,365	46,497	6,302	4,738
Connecticut Green Bank	43,938	38,976	82	-
Total Nonmajor Component Units	<u>\$ 296,625</u>	<u>\$ 292,103</u>	<u>\$ 6,384</u>	<u>\$ 4,738</u>

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

State of Connecticut

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

Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Student Loan Foundation	Materials, Innovations, and Recycling Authority	Connecticut Innovations, Incorporated	UConn Foundation	Capital Region Development Authority	Connecticut Green Bank	<u>Totals</u>
\$ 1,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,371
-	693	-	-	-	-	-	-	693
-	-	(1,920)	-	-	-	-	-	(1,920)
-	-	-	(7,663)	-	-	-	-	(7,663)
-	-	-	-	(7,103)	-	-	-	(7,103)
-	-	-	-	-	25,930	-	-	25,930
-	-	-	-	-	-	172	-	172
-	-	-	-	-	-	-	(4,880)	(4,880)
<u>1,371</u>	<u>693</u>	<u>(1,920)</u>	<u>(7,663)</u>	<u>(7,103)</u>	<u>25,930</u>	<u>172</u>	<u>(4,880)</u>	<u>6,600</u>
784	192	97	383	10,268	32,925	706	(12,457)	32,898
784	192	97	383	10,268	32,925	706	(12,457)	32,898
2,155	885	(1,823)	(7,280)	3,165	58,855	878	(17,337)	39,498
27,503	13,108	25,813	126,601	146,661	475,575	222,566	106,716	1,144,543
<u>\$ 29,658</u>	<u>\$ 13,993</u>	<u>\$ 23,990</u>	<u>\$ 119,321</u>	<u>\$ 149,826</u>	<u>\$ 534,430</u>	<u>\$ 223,444</u>	<u>\$ 89,379</u>	<u>\$ 1,184,041</u>

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Index to Statistical Section

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

FINANCIAL TRENDS INFORMATION

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

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REVENUE CAPACITY INFORMATION

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

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DEBT CAPACITY INFORMATION

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OPERATING INFORMATION

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

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Capital Asset by Function	208

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

State of Connecticut

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017*	2016
Governmental Activities:			
Net Invested in Capital Assets	\$ 4,321,358	\$ 4,568,371	\$ 4,530,912
Restricted	3,026,254	2,887,909	1,977,196
Unrestricted	<u>(61,949,017)</u>	<u>(72,802,979)</u>	<u>(50,635,847)</u>
Total Governmental Activities Net Position	<u>\$ (54,601,405)</u>	<u>\$ (65,346,699)</u>	<u>\$ (44,127,739)</u>
Business-Type Activities:			
Net Invested in Capital Assets	\$ 4,287,451	\$ 4,126,277	\$ 3,794,464
Restricted	1,098,547	1,017,929	1,089,692
Unrestricted	<u>1,651,057</u>	<u>1,564,985</u>	<u>1,384,932</u>
Total Business-Type Activities Net Position	<u>\$ 7,037,055</u>	<u>\$ 6,709,191</u>	<u>\$ 6,269,088</u>
Primary Government:			
Net Invested in Capital Assets	\$ 8,608,809	\$ 8,694,648	\$ 8,325,376
Restricted	4,124,801	3,905,838	3,066,888
Unrestricted	<u>(60,297,960)</u>	<u>(71,237,994)</u>	<u>(49,250,915)</u>
Total Primary Government Net Position	<u>\$ (47,564,350)</u>	<u>\$ (58,637,508)</u>	<u>\$ (37,858,651)</u>

* Restated for implementation of GASB 75

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, net OPEB liabilities, and compensated absences obligations, etc.
3. In fiscal year 2014, Bradley International Airport, a major Enterprise fund, was reclassified as a major component unit. Business-type activities for the fiscal years prior to 2014 have been restated to reflect this change.
4. In fiscal year 2015, the State implemented GASB statement No. 68 requiring the reporting of the actuarially determined liability to the pension plan members net of the fiduciary net position of the plans.

State of Connecticut

2015	2014	2013	2012	2011	2010	2009
\$ 4,957,690	\$ 5,776,818	\$ 5,824,691	\$ 5,305,440	\$ 4,905,025	\$ 4,910,178	\$ 5,499,602
1,884,897	1,795,757	2,282,900	1,647,790	1,809,873	1,777,780	1,617,726
<u>(47,667,704)</u>	<u>(24,943,380)</u>	<u>(23,199,567)</u>	<u>(21,984,094)</u>	<u>(20,764,608)</u>	<u>(20,361,003)</u>	<u>(16,686,518)</u>
<u>\$ (40,825,117)</u>	<u>\$ (17,370,805)</u>	<u>\$ (15,091,976)</u>	<u>\$ (15,030,864)</u>	<u>\$ (14,049,710)</u>	<u>\$ (13,673,045)</u>	<u>\$ (9,569,190)</u>
\$ 3,448,779	\$ 3,169,151	\$ 3,029,092	\$ 2,810,724	\$ 2,677,999	\$ 2,544,919	\$ 2,499,175
1,154,457	1,065,211	898,180	995,806	1,051,544	1,157,139	1,359,459
<u>895,770</u>	<u>546,492</u>	<u>391,597</u>	<u>360,131</u>	<u>171,738</u>	<u>302,435</u>	<u>373,035</u>
<u>\$ 5,499,006</u>	<u>\$ 4,780,854</u>	<u>\$ 4,318,869</u>	<u>\$ 4,166,661</u>	<u>\$ 3,901,281</u>	<u>\$ 4,004,493</u>	<u>\$ 4,231,669</u>
\$ 8,406,469	\$ 8,945,969	\$ 8,853,783	\$ 8,116,164	\$ 7,583,024	\$ 7,455,097	\$ 7,998,777
3,039,354	2,860,968	3,181,080	2,643,596	2,861,417	2,934,919	2,977,185
<u>(46,771,934)</u>	<u>(24,396,888)</u>	<u>(22,807,970)</u>	<u>(21,623,963)</u>	<u>(20,592,870)</u>	<u>(20,058,568)</u>	<u>(16,313,483)</u>
<u>\$ (35,326,111)</u>	<u>\$ (12,589,951)</u>	<u>\$ (10,773,107)</u>	<u>\$ (10,864,203)</u>	<u>\$ (10,148,429)</u>	<u>\$ (9,668,552)</u>	<u>\$ (5,337,521)</u>

State of Connecticut

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses					
Governmental Activities:					
Legislative	\$ 71,859	\$ 224,362	\$ 139,916	\$ 107,629	\$ 122,679
General Government	1,518,254	3,978,094	2,544,489	1,712,498	2,060,294
Regulation and Protection	541,574	1,702,904	968,289	1,028,126	905,310
Conservation and Development	635,923	2,129,012	1,103,531	921,859	997,092
Health and Hospital	1,611,855	4,731,954	2,772,452	2,172,348	2,623,687
Transportation	1,283,529	2,779,450	2,237,773	1,761,500	1,985,288
Human Services	5,950,282	16,515,682	9,115,540	6,736,623	8,272,895
Education, Libraries, and Museums	3,188,852	9,042,637	5,315,342	4,396,212	4,638,713
Corrections	1,335,350	3,855,999	2,307,516	1,820,490	2,142,788
Judicial	605,361	1,872,841	1,135,055	873,879	1,004,610
Interest and Fiscal Charges	888,410	877,822	829,246	796,727	922,110
Total Governmental Activities Expenses	<u>17,631,249</u>	<u>47,710,757</u>	<u>28,469,149</u>	<u>22,327,891</u>	<u>25,675,466</u>
Business-Type Activities:					
University of Connecticut and Health Center	2,402,077	2,310,348	2,255,211	2,154,599	2,050,529
Board of Regents	1,365,312	1,360,029	1,362,522	1,319,274	1,231,024
Employment Security	696,456	725,609	686,494	750,573	1,059,631
Clean Water	44,267	36,234	38,369	35,125	39,841
Other	57,810	66,328	65,757	69,099	72,674
Total Business-Type Activities Expenses	<u>4,565,922</u>	<u>4,498,548</u>	<u>4,408,353</u>	<u>4,328,670</u>	<u>4,453,699</u>
Total Primary Government Expenses	<u>\$ 22,197,171</u>	<u>\$ 52,209,305</u>	<u>\$ 32,877,502</u>	<u>\$ 26,656,561</u>	<u>\$ 30,129,165</u>
Program Revenues					
Governmental Activities:					
Charges for Services, Fees, Fines, and Forfeitures	\$ 2,641,840	\$ 3,037,950	\$ 1,997,571	\$ 1,902,257	\$ 1,726,200
Operating Grants and Contributions	7,562,834	7,367,882	7,179,312	7,095,874	6,496,625
Capital Grants and Contributions	650,615	863,002	778,909	717,358	610,274
Total Governmental Activities Program Revenues	<u>10,855,289</u>	<u>11,268,834</u>	<u>9,955,792</u>	<u>9,715,489</u>	<u>8,833,099</u>
Business-Type Activities:					
Charges for Services, Fees, Fines, and Forfeitures	2,947,238	2,886,663	2,819,354	2,599,678	2,546,840
Operating Grants and Contributions	350,209	367,287	594,260	676,418	780,137
Capital Grants and Contributions	5,099	1,388	6,026	32,807	27,807
Total Business-Type Activities Program Revenues	<u>3,302,546</u>	<u>3,255,338</u>	<u>3,419,640</u>	<u>3,308,903</u>	<u>3,354,784</u>
Total Primary Government Program Revenues	<u>\$ 14,157,835</u>	<u>\$ 14,524,172</u>	<u>\$ 13,375,432</u>	<u>\$ 13,024,392</u>	<u>\$ 12,187,883</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (6,775,960)	\$ (36,441,923)	\$ (18,513,357)	\$ (12,612,402)	\$ (16,842,367)
Business-Type Activities	<u>(1,263,376)</u>	<u>(1,243,210)</u>	<u>(988,713)</u>	<u>(1,019,767)</u>	<u>(1,098,915)</u>
Total Primary Government Net Expense	<u>\$ (8,039,336)</u>	<u>\$ (37,685,133)</u>	<u>\$ (19,502,070)</u>	<u>\$ (13,632,169)</u>	<u>\$ (17,941,282)</u>

State of Connecticut

2013	2012	2011	2010	2009
\$ 106,349	\$ 113,982	\$ 99,542	\$ 105,870	\$ 101,695
2,036,173	1,987,920	1,508,994	1,565,653	1,752,751
868,187	853,458	780,363	796,124	768,272
665,365	692,719	529,292	565,836	562,507
2,540,349	2,475,759	2,300,369	2,443,119	2,278,059
1,572,755	1,845,656	1,637,847	1,742,009	1,570,324
7,471,625	7,223,118	6,675,895	6,829,916	6,208,275
4,490,144	4,495,905	4,463,129	4,920,983	4,591,672
1,976,657	2,061,176	1,932,375	2,082,743	2,071,331
893,860	910,362	828,124	828,128	793,580
779,515	816,508	873,847	792,950	810,403
<u>23,400,979</u>	<u>23,476,563</u>	<u>21,629,777</u>	<u>22,673,331</u>	<u>21,508,869</u>
1,872,131	1,801,687	1,806,815	1,703,104	1,725,343
1,154,913	1,129,586	1,132,498	1,098,591	1,085,848
1,514,674	1,823,464	2,306,715	2,700,797	1,573,806
50,194	53,330	45,473	52,761	30,723
58,989	58,152	61,199	78,013	65,091
<u>4,650,901</u>	<u>4,866,219</u>	<u>5,352,700</u>	<u>5,633,266</u>	<u>4,480,811</u>
<u>\$ 28,051,880</u>	<u>\$ 28,342,782</u>	<u>\$ 26,982,477</u>	<u>\$ 28,306,597</u>	<u>\$ 25,989,680</u>
\$ 1,575,556	\$ 1,952,042	\$ 1,647,311	\$ 1,522,375	\$ 1,490,271
5,992,403	5,770,935	6,350,067	6,113,086	5,552,688
767,793	716,056	725,080	765,837	646,416
<u>8,335,752</u>	<u>8,439,033</u>	<u>8,722,458</u>	<u>8,401,298</u>	<u>7,689,375</u>
2,484,561	2,471,871	2,336,105	2,170,823	2,062,643
1,172,820	1,412,355	1,789,697	1,885,115	907,050
51,614	12,328	34,098	7,386	53,351
<u>3,708,995</u>	<u>3,896,554</u>	<u>4,159,900</u>	<u>4,063,324</u>	<u>3,023,044</u>
<u>\$ 12,044,747</u>	<u>\$ 12,335,587</u>	<u>\$ 12,882,358</u>	<u>\$ 12,464,622</u>	<u>\$ 10,712,419</u>
\$ (15,065,227)	\$ (15,037,530)	\$ (12,907,319)	\$ (14,272,033)	\$ (13,819,494)
<u>(941,906)</u>	<u>(969,665)</u>	<u>(1,192,800)</u>	<u>(1,569,942)</u>	<u>(1,457,767)</u>
<u>\$ (16,007,133)</u>	<u>\$ (16,007,195)</u>	<u>\$ (14,100,119)</u>	<u>\$ (15,841,975)</u>	<u>\$ (15,277,261)</u>

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

* Restated due to impementation of GASB 75

continued

State of Connecticut

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017*	2016	2015	2014
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Personal Income	\$ 9,729,298	\$ 8,065,612	\$ 9,091,156	\$ 8,186,946	\$ 7,752,553
Corporate Income	791,301	968,438	778,917	687,347	627,100
Sales and Use	4,219,398	4,226,788	4,224,989	4,167,054	4,116,012
Other	2,352,951	1,882,498	1,231,783	1,735,788	1,796,678
Restricted for Transportation Purposes:					
Motor Fuel	1,135,660	907,641	877,371	846,062	882,107
Other	80,163	90,199	69,752	83,868	82,216
Casino Gaming Payments	272,957	269,906	265,907	267,986	279,873
Tobacco Settlement	116,850	123,360	120,448	118,988	197,138
Lottery Tickets	336,239	326,415	335,387	319,700	319,500
Unrestricted Investment Earnings	48,663	29,061	16,535	22,091	27,313
Special Items:					
Statutory Payment from Component Units	-	-	-	-	31,000
Other	-	-	-	-	-
Transfers-Internal Activities	(1,562,226)	(1,666,956)	(1,746,295)	(1,726,281)	(1,547,952)
Total Governmental Activities	<u>17,521,254</u>	<u>15,222,962</u>	<u>15,265,950</u>	<u>14,709,549</u>	<u>14,563,538</u>
Business-Type Activities					
Unrestricted Investment Earnings	29,014	16,357	12,500	11,638	12,948
Special Items:					
Other	-	-	-	-	-
Debt Reduction Transfer	-	-	-	-	-
Transfers-Internal Activities	1,562,226	1,666,956	1,746,295	1,726,281	1,547,952
Total Business-Type Activities	<u>1,591,240</u>	<u>1,683,313</u>	<u>1,758,795</u>	<u>1,737,919</u>	<u>1,560,900</u>
Total Primary Government	<u>\$ 19,112,494</u>	<u>\$ 16,906,275</u>	<u>\$ 17,024,745</u>	<u>\$ 16,447,468</u>	<u>\$ 16,124,438</u>
Changes in Net Position					
Governmental Activities	\$ 10,745,294	\$ (21,218,961)	\$ (3,247,407)	\$ 2,097,147	\$ (2,278,829)
Business-Type Activities	327,864	440,103	770,082	718,152	461,985
Total Primary Government	<u>\$ 11,073,158</u>	<u>\$ (20,778,858)</u>	<u>\$ (2,477,325)</u>	<u>\$ 2,815,299</u>	<u>\$ (1,816,844)</u>
Other Changes in Net Position					
Governmental Activities:					
Prior-Year Adjustments	\$ (19,976,848)	\$ -	\$ (55,368,000)	\$ (25,551,459)	\$ -
Total Governmental Activities	<u>(19,976,848)</u>	<u>-</u>	<u>(55,368,000)</u>	<u>(25,551,459)</u>	<u>-</u>
Business-Type Activities:					
Prior-Year Adjustments	-	-	-	-	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (19,976,848)</u>	<u>\$ -</u>	<u>\$ (55,368,000)</u>	<u>\$ (25,551,459)</u>	<u>\$ -</u>

State of Connecticut

2013	2012	2011	2010	2009
\$ 7,743,804	\$ 7,360,165	\$ 6,327,263	\$ 5,773,609	\$ 5,657,309
558,287	601,509	726,090	465,980	437,444
3,953,768	3,880,607	3,365,250	3,150,203	3,301,096
2,327,754	1,953,170	1,655,594	1,455,628	1,407,084
693,444	713,477	477,411	494,222	492,566
79,000	76,618	237,242	209,684	196,034
296,396	344,645	359,582	384,248	377,805
123,745	123,799	121,422	128,977	153,819
312,100	310,000	289,300	285,500	283,000
3,942	15,955	18,434	27,681	42,493
-	-	-	-	13,150
-	-	-	21,000	-
<u>(1,088,125)</u>	<u>(1,227,570)</u>	<u>(1,080,151)</u>	<u>(1,347,362)</u>	<u>(1,156,590)</u>
<u>15,004,115</u>	<u>14,152,375</u>	<u>12,497,437</u>	<u>11,049,370</u>	<u>11,205,210</u>
16,742	18,141	20,483	27,468	60,759
-	-	-	(21,000)	-
-	-	-	-	85,000
<u>1,088,125</u>	<u>1,227,570</u>	<u>1,080,151</u>	<u>1,347,362</u>	<u>1,156,590</u>
<u>1,104,867</u>	<u>1,245,711</u>	<u>1,100,634</u>	<u>1,353,830</u>	<u>1,302,349</u>
<u>\$ 16,108,982</u>	<u>\$ 15,398,086</u>	<u>\$ 13,598,071</u>	<u>\$ 12,403,200</u>	<u>\$ 12,507,559</u>
\$ (61,112)	\$ (885,155)	\$ (409,882)	\$ (3,222,663)	\$ (2,614,284)
<u>162,961</u>	<u>276,046</u>	<u>(92,166)</u>	<u>(216,112)</u>	<u>(155,418)</u>
<u>\$ 101,849</u>	<u>\$ (609,109)</u>	<u>\$ (502,048)</u>	<u>\$ (3,438,775)</u>	<u>\$ (2,769,702)</u>
<u>\$ -</u>	<u>\$ (95,999)</u>	<u>\$ 33,217</u>	<u>\$ (881,193)</u>	<u>\$ (66,976)</u>
<u>-</u>	<u>(95,999)</u>	<u>33,217</u>	<u>(881,193)</u>	<u>(66,976)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,652)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,652)</u>
<u>\$ -</u>	<u>\$ (95,999)</u>	<u>\$ 33,217</u>	<u>\$ (881,193)</u>	<u>\$ (88,628)</u>

Notes: In fiscal year 2012 the sales tax increased from 6% to 6.35%. Starting in fiscal year 2013, due to the change in fund classification reported on the previous page, lottery ticket sales were reported as general revenue, rather than as "transfer-internal activities" under the governmental activities section reported above. Transfers-internal activities for fiscal years prior to 2013 have been restated to reflect this change. Other changes in Net Position are direct adjustments to the beginning balance of Net Position (See Note 22).

* Restated due to impementation of GASB 75

State of Connecticut

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015
General Fund				
Reserved/Nonspendable, Restricted, Committed or Assigned	\$ 1,392,115	\$ 326,716	\$ 384,683	\$ 603,309
Unreserved/Unassigned	(241,072)	(821,134)	(998,872)	(793,158)
Total General Fund	<u>\$ 1,151,043</u>	<u>\$ (494,418)</u>	<u>\$ (614,189)</u>	<u>\$ (189,849)</u>
All Other Governmental Funds				
Reserved/Nonspendable, Restricted, Committed or Assigned	\$ 3,690,199	\$ 2,871,951	\$ 2,466,765	\$ 2,307,993
Unreserved/Unassigned				
Transportation Fund	-	-	-	-
Special Revenue Funds	(9)	-	-	29
Capital Projects Funds	(718)	(718)	(718)	(718)
Permanent Funds	2	(7,836)	(7,959)	(8,042)
Total All Other Governmental Funds	<u>\$ 3,689,474</u>	<u>\$ 2,863,397</u>	<u>\$ 2,458,088</u>	<u>\$ 2,299,262</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015
Revenues				
Taxes	\$ 18,249,121	\$ 16,079,037	\$ 16,164,452	\$ 15,714,900
Assessments	-	-	-	-
Licenses, Permits, and Fees	747,129	697,210	733,939	680,820
Tobacco Settlement	116,850	123,360	120,448	118,988
Federal & State Grants and Aid	8,214,067	8,230,884	7,957,998	7,813,232
Lottery Tickets	336,239	326,415	335,387	319,700
Charges for Services	99,795	104,620	109,130	100,465
Fines, Forfeits, and Rents	124,776	208,948	35,491	20,821
Casino Gaming Payments	272,957	269,906	265,907	267,986
Investment Earnings	48,663	29,061	24,484	17,857
Miscellaneous	1,720,864	1,956,915	1,068,575	1,108,994
Total Revenues	<u>29,930,461</u>	<u>28,026,356</u>	<u>26,815,811</u>	<u>26,163,763</u>
Expenditures				
Legislative	107,257	118,345	124,797	120,879
General Government	2,337,022	2,112,926	2,307,262	1,943,795
Regulation and Protection	817,417	900,509	869,166	1,165,741
Conservation and Development	974,122	1,129,857	1,003,171	1,054,591
Health and Hospital	2,483,960	2,618,119	2,535,805	2,499,833
Transportation	1,582,562	1,573,774	1,680,900	1,643,229
Human Services	9,191,401	8,781,882	8,345,715	7,762,916
Education, Libraries, and Museums	4,894,536	4,802,130	4,845,487	5,041,968
Corrections	2,042,182	2,044,824	2,086,630	2,069,663
Judicial	922,390	992,433	1,030,324	998,193
Capital Projects	879,431	998,917	1,202,184	934,452
Debt Service:				
Principal	1,882,457	1,737,396	1,636,512	1,421,518
Interest	1,066,183	1,009,785	954,549	904,935
Total Expenditures	<u>29,180,920</u>	<u>28,820,897</u>	<u>28,622,502</u>	<u>27,561,713</u>
Revenue Over (Under) Expenditure	749,541	(794,541)	(1,806,691)	(1,397,950)
Other Financing Sources (Uses) and Special Items				
Bonds Issued	2,576,076	3,111,200	2,961,510	2,820,167
Premiums on Bonds Issued	243,026	427,324	442,332	386,856
Transfers In	2,422,870	1,430,325	1,009,021	1,023,698
Transfers Out	(3,980,096)	(3,095,031)	(2,755,316)	(2,749,979)
Refunding Bonds Issued	368,668	761,545	721,635	709,210
Payment to Refunded Bond Escrow	(402,721)	(821,708)	(841,226)	(780,530)
Capital Lease Obligations	3,774	4,174	3,034	3,036
Special Items:				
Payment from Component Units	-	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses) and Special Items	<u>1,231,597</u>	<u>1,817,829</u>	<u>1,540,990</u>	<u>1,412,458</u>
Net Change in Fund Balances	<u>\$ 1,981,138</u>	<u>\$ 1,023,288</u>	<u>\$ (265,701)</u>	<u>\$ 14,508</u>
Debt Service as a Percentage of Noncapital Expenditures	10.10%	10.20%	9.61%	8.89%

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

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

State of Connecticut

2014	2013	2012	2011	2010	2009
\$ 686,017	\$ 628,429	\$ 233,632	\$ 451,637	\$ 696,149	\$ 1,503,851
<u>(727,209)</u>	<u>(1,217,051)</u>	<u>(1,146,053)</u>	<u>(1,748,946)</u>	<u>(1,678,971)</u>	<u>(2,303,429)</u>
\$ <u>(41,192)</u>	\$ <u>(588,622)</u>	\$ <u>(912,421)</u>	\$ <u>(1,297,309)</u>	\$ <u>(982,822)</u>	\$ <u>(799,578)</u>
\$ 2,146,103	\$ 2,592,926	\$ 2,608,751	\$ 2,691,530	\$ 1,728,125	\$ 1,647,404
-	-	-	-	94,074	89,998
-	-	(9)	(1,823)	352,525	247,763
(718)	(718)	(718)	(718)	229,037	181,139
<u>(7,070)</u>	<u>(5,812)</u>	<u>(4,714)</u>	<u>(3,991)</u>	-	-
\$ <u>2,138,315</u>	\$ <u>2,586,396</u>	\$ <u>2,603,310</u>	\$ <u>2,684,998</u>	\$ <u>2,403,761</u>	\$ <u>2,166,304</u>

2014	2013	2012	2011	2010	2009
\$ 15,222,023	\$ 15,395,003	\$ 14,712,566	\$ 12,602,015	\$ 11,594,568	\$ 11,416,766
-	-	-	28,444	27,268	28,129
692,028	617,132	657,446	601,767	611,535	546,871
197,138	123,745	123,799	121,422	128,977	153,819
7,106,897	6,760,196	6,490,516	7,241,824	6,926,397	6,017,660
319,500	312,100	310,000	289,300	285,500	283,000
107,970	103,622	107,327	98,843	98,617	101,500
97,815	74,552	452,358	142,355	86,520	32,841
279,873	296,396	344,645	359,582	384,248	377,805
26,121	3,042	14,386	18,626	27,841	43,287
853,389	804,558	704,405	712,466	704,145	790,010
<u>24,902,754</u>	<u>24,490,346</u>	<u>23,917,448</u>	<u>22,216,644</u>	<u>20,875,616</u>	<u>19,791,688</u>
116,344	109,635	103,512	99,989	98,336	102,088
1,952,284	1,996,036	1,876,249	1,502,016	1,437,645	1,707,309
858,450	883,063	784,002	778,567	734,718	750,473
945,552	668,303	662,823	527,165	504,250	510,887
2,488,749	2,472,142	2,374,693	2,271,075	2,215,141	2,222,497
1,482,632	1,508,262	1,534,797	1,441,006	1,440,072	1,268,269
7,835,677	7,213,996	6,967,044	6,578,719	6,175,132	6,059,858
4,509,914	4,226,319	4,185,168	4,255,644	4,379,875	4,401,423
2,030,842	1,958,289	1,939,091	1,920,179	1,903,466	2,010,977
956,164	893,276	858,339	824,089	762,290	775,711
955,785	757,001	547,212	464,023	435,288	438,724
1,323,303	1,515,283	1,473,894	1,273,278	1,238,055	1,166,282
<u>893,737</u>	<u>888,243</u>	<u>947,102</u>	<u>945,781</u>	<u>935,878</u>	<u>918,633</u>
<u>26,349,433</u>	<u>25,089,848</u>	<u>24,253,926</u>	<u>22,881,531</u>	<u>22,260,146</u>	<u>22,333,131</u>
(1,446,679)	(599,502)	(336,478)	(664,887)	(1,384,530)	(2,541,443)
2,761,025	1,802,290	1,554,801	1,619,625	2,617,910	1,863,600
390,556	216,795	313,715	74,583	189,469	110,560
1,058,913	953,198	933,231	922,118	772,174	1,040,765
(2,606,865)	(2,041,323)	(2,175,501)	(2,005,934)	(2,122,891)	(2,192,545)
1,280,710	194,890	1,219,815	412,870	344,105	586,940
(1,378,119)	(224,910)	(1,388,158)	(431,550)	(379,015)	(590,397)
8,828	3,556	6,084	4,089	-	-
31,000	-	-	-	-	13,150
-	-	-	-	26,099	-
<u>1,546,048</u>	<u>904,496</u>	<u>463,987</u>	<u>595,801</u>	<u>1,421,752</u>	<u>832,073</u>
\$ <u>99,369</u>	\$ <u>304,994</u>	\$ <u>127,509</u>	\$ <u>(69,086)</u>	\$ <u>37,222</u>	\$ <u>(1,709,370)</u>
8.94%	10.40%	10.39%	10.19%	10.36%	10.23%

State of Connecticut

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL

Calendar Years 2007 and 2016

(Expressed in Thousands)

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

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

The categories presented are intended to provide alternative information regarding the sources of the State's tax revenue. Calendar Year 2016 is the most recent year for which the data is available.

Source: Department of Revenue Services reporting for fiscal year ending June 30, 2018.

State of Connecticut

Calendar Year 2016

Number <u>of Filers</u>	Percentage <u>of Total</u>	Personal	
		Income Tax <u>Liability</u>	Percentage <u>of Total</u>
941,204	50.6%	\$ 332,203,081	3.7%
446,374	24.0%	1,268,472,151	14.3%
300,874	16.2%	1,913,217,460	21.6%
123,232	6.6%	1,667,007,784	18.8%
39,443	2.1%	1,617,910,021	18.2%
<u>9,915</u>	<u>0.6%</u>	<u>2,072,540,092</u>	<u>23.4%</u>
<u>1,861,042</u>	<u>100.0%</u>	<u>\$ 8,871,350,589</u>	<u>100.0%</u>

State of Connecticut

PERSONAL INCOME BY MAJOR COMPONENT

Last Ten Calendar Years

(Expressed in Thousands)

Description	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income by place of residence (seasonally adjusted)			
Personal income	\$ 265,637,000	\$ 256,225,149	\$ 252,249,206
Average Effective Rate for Personal Income (note 1)	3.69%	3.06%	3.23%
Derivation of personal income:			
Earnings by place of work	172,127,000	169,971,596	168,342,395
Less: Contributions for government social insurance (note 2):			
Employee and self-employed contributions for government social insurance	9,412,000	8,965,858	8,829,408
Employer contributions for government social insurance	8,139,000	7,868,874	7,788,722
Plus: Adjustment for residence (note 3)	<u>16,622,000</u>	<u>15,103,892</u>	<u>14,818,234</u>
Equals: Net earnings by place of residence	171,198,000	168,240,756	166,542,499
Plus: Dividends, interest, and rent (note 4 & 7)	59,736,000	54,525,505	52,952,710
Plus: Personal current transfer receipts	34,702,000	33,458,888	32,753,997
Components of earnings by place of work:			
Wages and salaries	117,067,000	114,685,688	114,057,180
Supplements to wages and salaries:			
Employer contributions for employee pension and insurance funds (note 5 & 8)	26,024,000	17,338,397	17,392,404
Employer contributions for government social insurance	8,139,000	7,868,874	7,788,722
Proprietors' income (note 6 & 9):			
Farm proprietors' income	(23,000)	(17,080)	(8,148)
Nonfarm proprietors' income	29,059,000	30,095,717	29,112,237

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/ Mid quarter population estimates by state are derived by BEA based on unpublished Census Bureau estimates of beginning -of-month population. Quarterly estimates for 2010-2018 reflect unpublished monthly population estimates available as of February 2018.

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 excluded from net earnings by place of

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: September 25, 2018-- new estimates for 2018:Q2; revised estimates for 1998:Q1-2018:Q1.

(NA) Data not available for this year.

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

State of Connecticut

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$	246,709,339	\$ 239,829,273	\$ 230,614,799	\$ 233,710,888	\$ 229,211,506	\$ 222,404,940	\$ 215,234,464
	3.33%	3.27%	3.24%	3.14%	2.82%	2.56%	2.45%
	164,941,621	160,754,656	155,343,894	156,192,927	158,317,960	156,297,304	153,795,727
	8,665,734	8,440,527	8,122,502	6,120,443	6,013,172	7,356,564	7,305,130
	7,707,569	7,504,621	7,331,676	7,213,262	6,989,204	6,668,227	6,622,346
	<u>14,271,664</u>	<u>13,158,832</u>	<u>12,662,206</u>	<u>13,518,623</u>	<u>11,709,612</u>	<u>11,261,423</u>	<u>9,198,888</u>
	162,839,982	157,968,340	152,551,922	156,377,845	157,025,196	153,533,936	149,067,139
	52,179,464	51,244,356	48,198,709	47,804,030	43,030,842	39,824,720	38,927,922
	31,689,893	30,616,577	29,864,168	29,529,013	29,155,468	29,046,284	27,239,403
	112,326,830	109,039,641	105,486,854	104,278,374	101,598,704	97,848,445	96,206,697
	17,036,521	16,701,290	16,521,067	16,454,330	16,635,251	16,374,300	15,882,011
	7,707,569	7,504,621	7,331,676	7,213,262	6,989,204	6,668,227	6,622,346
	(9,627)	(12,648)	15,905	(2,111)	4,641	2,387	(3,767)
	27,880,328	27,521,752	25,988,392	28,249,072	33,090,160	35,403,945	35,088,440

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State of Connecticut

PERSONAL INCOME TAX RATES

Calendar Years 2009 through 2018

(Expressed in Thousands)

Annual Income Tax Rates are applied to Taxable Income in excess of the following brackets					
Year	Median Rate	Single/ Married Filing Separate	Married Filing Jointly	Head of Household	Average Effective Rate
2008	5.00%	\$10,000	\$20,000	\$16,000	#REF!
2009	5.00%	\$10,000	\$20,000	\$16,000	2.45%
2010	5.00%	\$10,000	\$20,000	\$16,000	2.56%

Income Tax Rates are applied to Taxable Income by income range for the same brackets

For taxable years commencing on or after January 1, 2015: ^[2]

5.00%	\$10,000 - \$50,000	\$20,000 - \$100,000	\$16,000 - \$80,000	1.31%
5.50%	\$50,000 - \$100,000	\$100,000 - \$200,000	\$80,000 - \$160,000	1.31%
6.00%	\$100,000 - \$200,000	\$200,000 - \$400,000	\$160,000 - \$320,000	1.31%
6.50%	\$200,000 - \$250,000	\$400,000 - \$500,000	\$320,000 - \$400,000	1.31%
6.90%	\$250,000 - \$500,000	\$500,000 - \$1,000,000	\$400,000 - \$800,000	1.31%
6.99%	greater than \$500,000	greater than \$1,000,000	greater than \$800,000	1.31%

For taxable years commencing prior to January 1, 2015:

6.70%	greater than \$250,000	greater than \$500,000	greater than \$400,000	1.31%
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Notes:

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

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

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

Source: Department of Revenue Services - Annual Report.

State of Connecticut

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015
Estimated General Fund Tax Receipts	\$ 15,862,300	\$ 15,519,900	\$ 15,519,900	\$ 15,711,565
Statutory Multiplier	1.6	1.6	1.6	1.6
Statutory Debt Limit for Debt Incurred	25,379,680	24,831,840	24,831,840	25,138,504
Less: Authorized Bonds, Notes, and Other Obligations Subject to Certain Limitations	22,661,976	21,206,270	21,886,034	21,520,230
Legal Debt Margin	\$ 2,717,704	\$ 3,625,570	\$ 2,945,806	\$ 3,618,274
Legal Debt Margin as a percentage of the debt limit	10.71%	14.60%	11.86%	14.39%
Date Calculation was made	7/1/18	2/15/17	7/1/16	7/1/15

Source: State of Connecticut General Obligation Bonds Offering Statement dated August 2018

State of Connecticut

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 14,334,000	\$ 14,334,000	\$ 14,019,100	\$ 14,019,100	\$ 10,927,600	\$ 12,971,100
<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
22,934,400	22,934,400	22,430,560	22,430,560	17,484,160	20,753,760
<u>18,456,323</u>	<u>18,970,659</u>	<u>15,180,510</u>	<u>15,493,181</u>	<u>15,110,495</u>	<u>14,876,927</u>
<u>\$ 4,478,077</u>	<u>\$ 3,963,741</u>	<u>\$ 7,250,050</u>	<u>\$ 6,937,379</u>	<u>\$ 2,373,665</u>	<u>\$ 5,876,833</u>
<u>19.53%</u>	<u>17.28%</u>	<u>32.32%</u>	<u>30.93%</u>	<u>13.58%</u>	<u>28.32%</u>
12/15/13	7/1/13	2/1/12	10/1/11	2/1/10	2/1/09

State of Connecticut

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015
Governmental Activities				
General Obligation Bonds	\$ 18,763,228	\$ 18,398,554	\$ 17,394,622	\$ 16,402,537
Transportation Obligation Bonds	5,540,495	5,041,840	4,519,690	4,089,540
Long-Term Notes	-	177,120	352,585	520,275
Capital Leases	27,576	30,900	32,342	35,368
Total Governmental Activities	<u>24,331,299</u>	<u>23,648,414</u>	<u>22,299,239</u>	<u>21,047,720</u>
Business-Type Activities				
Revenue Bonds	1,510,262	1,442,805	1,246,681	1,356,779
Total Business-Type Activities	<u>1,510,262</u>	<u>1,442,805</u>	<u>1,246,681</u>	<u>1,356,779</u>
Total Primary Government	<u>\$ 25,841,561</u>	<u>\$ 25,091,219</u>	<u>\$ 23,545,920</u>	<u>\$ 22,404,499</u>
Debt as a Percentage of Personal Income	9.73%	9.79%	9.33%	9.08%
Amount of Debt Per Capita	\$7,202	\$7,003	\$6,564	\$6,234

Notes: Details regarding the State's debt can be found in Note 17 of the financial statements.

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015
General Obligation Bonds	\$ 18,763,228	\$ 18,398,554	\$ 17,394,622	\$ 16,402,537
Transportation Obligation Bonds	5,540,495	5,041,840	4,519,690	4,089,540
Debt Service Fund Balance	(901,920)	(827,125)	(738,240)	(668,426)
Net General Obligation Bonded Debt	<u>\$ 23,401,803</u>	<u>\$ 22,613,269</u>	<u>\$ 21,176,072</u>	<u>\$ 19,823,651</u>
Net General Obligation Debt as a Percentage of Personal Income	8.81%	8.83%	8.39%	8.04%
Amount of Net GO Debt Per Capita	\$6,522	\$6,311	\$5,904	\$5,516

Notes: Details regarding the State's debt can be found in Note 17 of the financial statements.

State of Connecticut

2014	2013	2012	2011	2010	2009
\$ 15,281,579	\$ 14,228,228	\$ 13,964,576	\$ 13,794,340	\$ 13,592,708	\$ 13,443,525
3,771,260	3,461,875	3,287,340	3,357,595	3,030,485	2,817,015
580,775	573,365	747,935	915,795	1,143,955	228,160
37,820	38,218	42,759	42,995	41,702	47,129
<u>19,671,434</u>	<u>18,301,686</u>	<u>18,042,610</u>	<u>18,110,725</u>	<u>17,808,850</u>	<u>16,535,829</u>
<u>1,212,681</u>	<u>1,376,698</u>	<u>1,439,345</u>	<u>1,556,218</u>	<u>1,498,380</u>	<u>1,601,797</u>
<u>1,212,681</u>	<u>1,376,698</u>	<u>1,439,345</u>	<u>1,556,218</u>	<u>1,498,380</u>	<u>1,601,797</u>
<u>\$ 20,884,115</u>	<u>\$ 19,678,384</u>	<u>\$ 19,481,955</u>	<u>\$ 19,666,943</u>	<u>\$ 19,307,230</u>	<u>\$ 18,137,626</u>
8.71%	8.53%	8.34%	8.58%	8.68%	8.43%
\$5,806	\$5,472	\$5,427	\$5,492	\$5,399	\$5,092

2014	2013	2012	2011	2010	2009
\$ 15,281,579	\$ 14,228,228	\$ 13,964,576	\$ 13,794,340	\$ 13,592,708	\$ 13,443,525
3,771,260	3,461,875	3,287,340	3,357,595	3,030,485	2,817,015
(659,543)	(660,113)	(703,376)	(708,645)	(687,752)	(679,384)
<u>\$ 18,393,296</u>	<u>\$ 17,029,990</u>	<u>\$ 16,548,540</u>	<u>\$ 16,443,290</u>	<u>\$ 15,935,441</u>	<u>\$ 15,581,156</u>
7.67%	7.38%	7.08%	7.17%	7.17%	7.24%
\$5,114	\$4,736	\$4,610	\$4,592	\$4,456	\$4,374

State of Connecticut

PLEGED-REVENUE COVERAGE

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
University of Connecticut and Health Center				
Gross Revenues	\$ 2,595,639	\$ 2,629,793	\$ 2,465,794	\$ 2,463,391
Operating Expenses	<u>2,231,347</u>	<u>2,153,495</u>	<u>2,134,537</u>	<u>2,015,393</u>
Net Available Revenues	<u>\$ 364,292</u>	<u>\$ 476,298</u>	<u>\$ 331,257</u>	<u>\$ 447,998</u>
Debt Service:				
Principal	\$ 101,963	\$ 90,618	\$ 105,525	\$ 17,764
Interest	<u>63,197</u>	<u>50,552</u>	<u>68,696</u>	<u>55,306</u>
Total	<u>\$ 165,160</u>	<u>\$ 141,170</u>	<u>\$ 174,221</u>	<u>\$ 73,070</u>
Coverage	2.21	3.37	1.90	6.13
Board of Regents				
Gross Revenues	\$ 1,361,263	\$ 1,364,895	\$ 1,473,844	\$ 835,169
Operating Expenses	<u>1,256,357</u>	<u>1,222,393</u>	<u>1,368,422</u>	<u>709,352</u>
Net Available Revenues	<u>\$ 104,906</u>	<u>\$ 142,502</u>	<u>\$ 105,422</u>	<u>\$ 125,817</u>
Debt Service:				
Principal	\$ 20,055	\$ 7,493	\$ 20,247	\$ 42,791
Interest	<u>13,943</u>	<u>13,467</u>	<u>12,158</u>	<u>14,064</u>
Total	<u>\$ 33,998</u>	<u>\$ 20,960</u>	<u>\$ 32,405</u>	<u>\$ 56,855</u>
Coverage	3.09	6.80	3.25	2.21
Clean Water				
Gross Revenues	\$ 69,928	\$ 52,818	\$ 46,135	\$ 49,684
Operating Expenses	<u>1,242</u>	<u>579</u>	<u>925</u>	<u>1,291</u>
Net Available Revenues	<u>\$ 68,686</u>	<u>\$ 52,239</u>	<u>\$ 45,210</u>	<u>\$ 48,393</u>
Debt Service:				
Principal	\$ 53,891	\$ 61,232	\$ 73,802	\$ 70,351
Interest	<u>38,327</u>	<u>32,628</u>	<u>33,811</u>	<u>29,717</u>
Total	<u>\$ 92,218</u>	<u>\$ 93,860</u>	<u>\$ 107,613</u>	<u>\$ 100,068</u>
Coverage	0.74	0.56	0.42	0.48
Bradley Parking Garage				
Gross Revenues	\$ 30,207	\$ 27,289	\$ 26,702	\$ 25,578
Operating Expenses	<u>23,767</u>	<u>22,866</u>	<u>19,778</u>	<u>9,254</u>
Net Available Revenues	<u>\$ 6,440</u>	<u>\$ 4,423</u>	<u>\$ 6,924</u>	<u>\$ 16,324</u>
Debt Service:				
Principal	\$ 2,750	\$ 2,580	\$ 2,415	\$ 2,265
Interest	<u>2,925</u>	<u>2,729</u>	<u>2,442</u>	<u>3,112</u>
Total	<u>\$ 5,675</u>	<u>\$ 5,309</u>	<u>\$ 4,857</u>	<u>\$ 5,377</u>
Coverage	1.13	0.83	1.43	3.04

State of Connecticut

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 2,236,397	\$ 1,814,856	\$ 1,975,204	\$ 1,774,037	\$ 1,786,129	\$ 1,806,256
1,915,644	1,738,237	1,669,601	1,673,797	1,569,966	1,592,289
\$ 320,753	\$ 76,619	\$ 305,603	\$ 100,240	\$ 216,163	\$ 213,967
\$ 17,810	\$ 61,905	\$ 90,400	\$ 95,962	\$ 79,655	\$ 76,148
50,069	52,254	49,723	52,730	53,523	52,307
\$ 67,879	\$ 114,159	\$ 140,123	\$ 148,692	\$ 133,178	\$ 128,455
4.73	0.67	2.18	0.67	1.62	1.67
\$ 815,596	\$ 722,893	\$ 687,772	\$ 702,729	\$ 669,388	\$ 629,832
651,797	603,660	589,972	588,571	599,792	589,022
\$ 163,799	\$ 119,233	\$ 97,800	\$ 114,158	\$ 69,596	\$ 40,810
\$ 18,052	\$ 16,211	\$ 69,526	\$ 32,986	\$ 18,976	\$ 19,163
11,654	10,300	11,572	11,851	-	-
\$ 29,706	\$ 26,511	\$ 81,098	\$ 44,837	\$ 18,976	\$ 19,163
5.51	4.50	1.21	2.55	3.67	2.13
\$ 56,751	\$ 77,527	\$ 60,032	\$ 59,714	\$ 64,648	\$ 52,232
3,093	10,971	11,078	9,468	8,502	465
\$ 53,658	\$ 66,556	\$ 48,954	\$ 50,246	\$ 56,146	\$ 51,767
\$ 70,603	\$ 70,578	\$ 70,687	\$ 67,310	\$ 53,745	\$ 46,897
32,582	33,057	35,226	32,724	37,113	23,635
\$ 103,185	\$ 103,635	\$ 105,913	\$ 100,034	\$ 90,858	\$ 70,532
0.52	0.64	0.46	0.50	0.62	0.73
\$ 24,640	\$ 23,029	\$ 21,723	\$ 21,076	\$ 18,792	\$ 20,375
8,828	9,140	8,287	8,609	8,776	9,039
\$ 15,812	\$ 13,889	\$ 13,436	\$ 12,467	\$ 10,016	\$ 11,336
\$ 2,120	\$ 1,990	\$ 1,865	\$ 1,755	\$ 1,650	\$ 1,550
2,987	3,218	3,172	3,378	3,620	3,437
\$ 5,107	\$ 5,208	\$ 5,037	\$ 5,133	\$ 5,270	\$ 4,987
3.10	2.67	2.67	2.43	1.90	2.27

State of Connecticut

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Drinking Water				
Gross Revenues	\$ 17,907	\$ 16,298	\$ 11,882	\$ 16,134
Operating Expenses	<u>9,761</u>	<u>9,074</u>	<u>8,257</u>	<u>7,180</u>
Net Available Revenues	<u>\$ 8,146</u>	<u>\$ 7,224</u>	<u>\$ 3,625</u>	<u>\$ 8,954</u>
Debt Service:				
Principal	\$ 6,779	\$ 6,653	\$ 7,343	\$ 5,544
Interest	<u>5,103</u>	<u>3,392</u>	<u>3,199</u>	<u>1,490</u>
Total	<u>\$ 11,882</u>	<u>\$ 10,045</u>	<u>\$ 10,542</u>	<u>\$ 7,034</u>
Coverage	0.69	0.72	0.34	1.27
Rate Reduction Bonds¹				
Gross Revenues	\$ -	\$ -	\$ -	\$ -
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:				
Principal	\$ -	\$ -	\$ -	\$ -
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-

Notes: Gross revenues include nonoperating revenue. Operating expenses include nonoperating expenses and exclude depreciation and interest expenses. Revenues for Higher Education funds include transfers in. Revenues for Clean Water and Drinking Water bonds include federal grants.

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

State of Connecticut

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 29,427	\$ 12,786	\$ 9,706	\$ 17,935	\$ 14,714	\$ 10,714
8,207	5,601	5,032	8,802	7,068	4,184
\$ 21,220	\$ 7,185	\$ 4,674	\$ 9,133	\$ 7,646	\$ 6,530
\$ 5,727	\$ 4,952	\$ 4,643	\$ 4,055	\$ 3,964	\$ 2,718
1,706	2,163	2,391	2,141	2,405	1,794
\$ 7,433	\$ 7,115	\$ 7,034	\$ 6,196	\$ 6,369	\$ 4,512
2.85	1.01	0.66	1.47	1.20	1.45
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,319
-	-	-	-	-	747
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,572
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,990
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,990
-	-	-	-	-	0.16

State of Connecticut

**DEMOGRAPHIC AND ECONOMIC STATISTICS
POPULATION AND PER CAPITA PERSONAL INCOME**

Last Ten Calendar Years

(Expressed in Thousands)

Year	Population			
	United States	% Growth From Previous Year	Connecticut	% Growth From Previous Year
2018	326,767	0.71%	3,588	0.14%
2017	324,459	0.71%	3,583	-0.11%
2016	322,179	0.70%	3,587	-0.19%
2015	319,929	0.34%	3,594	-0.08%
2014	318,857	0.78%	3,597	0.03%
2013	316,395	0.71%	3,596	0.17%
2012	314,168	0.83%	3,590	0.25%
2011	311,592	0.73%	3,581	0.14%
2010	309,330	0.83%	3,576	0.39%
2009	306,772	0.88%	3,562	0.45%

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
2018	161,776	155,542	6,234	3.9%
2017	160,494	153,513	6,981	4.3%
2016	160,135	151,990	8,144	5.1%
2015	157,037	148,739	8,299	5.3%
2014	155,700	146,247	9,453	6.1%
2013	155,835	144,058	11,777	7.6%
2012	155,063	142,974	12,088	7.8%
2011	153,421	139,334	14,087	9.2%
2010	153,741	139,119	14,623	9.5%
2009	154,926	140,196	14,729	9.5%

Sources: U.S. Department of Labor

State of Connecticut

Personal Income		Per Capita Personal Income		% Above the United States
United States	Connecticut	United States	Connecticut	
\$17,567,300,000	\$265,637,000	\$53,761	\$74,030	37.7%
\$16,384,700,000	\$264,054,000	\$50,499	\$73,696	45.9%
\$15,943,900,000	\$252,249,000	\$49,488	\$70,323	42.1%
\$15,356,000,000	\$246,709,339	\$47,998	\$68,645	43.0%
\$14,792,000,000	\$239,829,273	\$46,391	\$60,906	31.3%
\$14,138,400,000	\$230,614,799	\$44,686	\$64,131	43.5%
\$13,355,900,000	\$233,710,888	\$42,512	\$65,101	53.1%
\$13,017,400,000	\$229,211,506	\$41,777	\$64,008	53.2%
\$12,590,671,000	\$222,404,940	\$40,703	\$62,194	52.8%
\$12,083,900,000	\$215,234,464	\$39,390	\$60,425	53.4%

Connecticut Labor Force			
Civilian Labor Force	Employed	Unemployed	Unemployment Rate
1,897	1,813	84	4.4%
1,933	1,836	97	5.0%
1,892	1,796	96	5.1%
1,918	1,809	109	5.7%
1,879	1,753	126	6.7%
1,851	1,702	149	8.0%
1,898	1,728	170	9.0%
1,886	1,715	166	8.8%
1,887	1,721	166	8.8%
1,879	1,731	147	7.8%

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State of Connecticut

**DEMOGRAPHIC AND ECONOMIC STATISTICS
TOP TEN NON-GOVERNMENTAL EMPLOYERS**

Current Year and Ten Years Ago

<u>NAME</u>	<u>2018</u>			<u>2009</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>
Yale New Haven Health Sys	19,416	1.1%	1			
Hartford HealthCare	18,652	1.0%	2			
United Technologies Corp. UTC	18,000	1.0%	3 (1)	27,050	1.6%	1
Yale University	14,440	0.8%	4	12,795	0.7%	3
General Dynamics/Electric Boat	11,862	0.7%	5	8,200	0.5%	8
Wal-Mart Stores Inc.	8,835	0.5%	6	9,204	0.5%	7
Sikorsky Air/Lockheed Martin Co.	7,900	0.4%	7			
The Travelers Cos Inc.	7,400	0.4%	8			
Mohegan Sun Casino	7,150	0.4%	9	9,800	0.6%	5
The Hartford	6,800	0.4%	10			
Total	120,455	6.7%		67,049	3.9%	

Sources: 2018 - Hartford Business Journal (HBJ)

(1) For 2018 includes UTC Aerospace and Pratt & Whitney - Business units of UTC. For 2009, also includes Sikorsky Aircraft.

State of Connecticut

STATE EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	2018	2017	2016	2015
Primary Government				
Legislative	661	679	715	722
General Government	2,964	3,135	3,289	3,360
Regulation and Protection	3,578	3,867	4,074	4,126
Conservation and Development	1,173	1,222	1,269	1,309
Health and Hospital	3,568	3,673	3,814	3,792
Transportation	3,051	3,169	3,179	3,092
Human Services	3,961	4,156	4,690	4,898
Education, Libraries, and Museums	16,104	17,664	19,392	21,263
Corrections	8,069	8,223	8,750	8,721
Judicial	4,018	4,185	4,548	4,639
Total Number of Employees - Primary Government	<u>47,147</u>	<u>49,973</u>	<u>53,720</u>	<u>55,922</u>

Note: The number of employees excludes job classes such as contractors, intermittent, durational, seasonal, trainee, temporary, and part-time employment. The total for the primary government includes the employees of the University of Connecticut, the University of Connecticut Health Center, and the Board of Regents for Higher Education which includes the State University System and the Connecticut Community Colleges.

State of Connecticut

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
685	705	716	705	706	713
3,324	3,107	3,453	3,584	3,630	3,811
4,064	3,945	3,999	4,099	4,088	4,271
1,303	1,324	1,393	1,296	1,293	1,388
3,822	3,857	3,862	3,844	3,925	4,138
3,027	2,986	3,018	3,055	3,070	3,139
4,841	4,618	5,017	5,133	5,175	1,982
20,937	21,203	21,692	20,777	20,225	20,126
8,588	8,628	9,151	9,243	9,539	10,034
<u>4,597</u>	<u>4,605</u>	<u>4,744</u>	<u>4,626</u>	<u>4,601</u>	<u>4,567</u>
<u><u>55,188</u></u>	<u><u>54,978</u></u>	<u><u>57,045</u></u>	<u><u>56,362</u></u>	<u><u>56,252</u></u>	<u><u>54,169</u></u>

State of Connecticut

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Legislative</u>				
Office of Legislative Management				
Number of Public and Special Acts	267	244	277	258
Number of Amendments Drafted	2,560	2,587	3,043	2,190
<u>General Government</u>				
Office of the State Treasurer				
% of Payments made Electronically	81.6%	81.9%	81.3%	75.0%
Number of Unclaimed Property Claims Paid	16,670	15,758	17,888	20,897
Department of Revenue Services				
% of Income Tax Returns Filed Electronically	88.0%	87.0%	85.0%	84.0%
Revenue Collected per \$1 of Agency Expense	\$281	\$264	\$264	\$255
Department of Construction Services				
Number of Construction Contracts Awarded	243	231	26	13
State Floor Space Owned and Leased	8,751,757	9,311,535	8,999,852	9,282,711
<u>Regulation and Protection</u>				
Department of Emergency Services & Public Protection				
Number of Background Checks - Firearms	57,769	54,944	49,547	61,107
Number of Fingerprint Checks for CT/Pd's	82,261	86,588	88,354	100,145
Department of Motor Vehicles				
Number of Registered Motor Vehicles	3,015,047	3,671,652	3,030,510	3,026,823
Number of Licensed Drivers	2,586,994	2,613,244	2,566,673	2,542,588
Department of Labor				
Number of Initial Unemployment Claims	143,186	148,336	153,040	245,632
Persons Using Employment Service (1)	20,147	47,711	161,637	191,372
<u>Conservation and Development</u>				
Department of Energy & Environmental Protection				
Nitrogen Discharged into Long Island Sound (2)	7,362	7,562	7,400	7,340
Attained Goal of Open Space (3)	81.0%	81.0%	81.0%	84.0%
<u>Health and Hospitals</u>				
Department of Public Health				
Number of Tuberculosis Cases Served (includes active and latent cases)	1,067	1,065	1,133	1,236
Number of Licenses Applications - New	17,696	18,811	18,015	17,716
Number of Licenses Applications - Renewal	160,546	161,595	155,251	153,328
Department of Developmental Services				
Number of Qualified Providers	271	259	249	250
Number of Persons Served in Various Programs	16,951	16,724	16,328	16,274

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
311 2,756	221 2,458	273 3,043	217 2,717	270 3,889	200 2,853
69.6% 17,852	74.6% 18,381	63.4% 17,933	68.8% 17,360	69.0% 14,481	66.1% 16,787
82.0% \$256	81.0% \$270	78.0% \$250	75.0% \$203	70.5% \$178	72.4% \$207
n/a n/a	26 7,895,255	22 7,129,801	28 7,465,869	20 8,651,460	13 8,770,901
47,745 98,216	38,304 110,452	33,064 138,044	37,194 211,163	44,632 165,603	29,693 178,379
2,272,537 2,534,090	2,973,691 3,029,328	2,974,801 2,986,267	3,007,638 2,934,576	3,002,772 2,916,143	3,016,521 2,883,324
265,700 218,879	275,782 218,879	335,166 228,203	299,563 228,283	326,179 211,613	261,400 170,701
7,500 81.0%	7,500 81.0%	7,670 79.0%	7,670 81.0%	8,400 79.0%	9,100 78.0%
1,515	1,988	2,103	3,006	3,124	2,770
17,116 153,997	13,976 150,663	14,510 149,370	14,899 151,205	12,964 149,818	12,595 123,014
248 16,037	239 15,858	233 15,640	204 15,495	188 15,390	176 15,270

continued

State of Connecticut

OPERATING INDICATORS BY FUNCTION *(Continued)*

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Human Services</u>				
Department of Social Services				
Number of Medicaid Eligible Clients	800,509	735,008	737,490	656,252
Temp Family Assistance Average Caseload	14,172	15,602	17,538	18,256
<u>Education</u>				
Department of Higher Education				
Number of Degrees Conferred - Statewide	47,221	32,499	n/a	n/a
Enrollment - Statewide	198,704	170,597	n/a	n/a
<u>Transportation</u>				
Department of Transportation				
Active Construction Projects	589	302	279	268
Miles of Road Resurfaced	316	341	445	355
Estimated Billions of Person trips on Roadways	4.800	4.903	4.882	4.214
<u>Corrections</u>				
Department of Corrections				
Incarcerated Population	14,389	19,271	16,023	16,551
Direct Daily Inmate Expenditures	103	\$73	\$105	\$100
<u>Judicial</u>				
Judicial Branch				
Number of Superior Court Cases Filed	381,068	535,158	432,803	443,135
Average Number of Supervised Probationers	41,050	54,315	43,510	48,779

(1) The department of Labor assists individuals in job search, resume preparation, etc.

(2) Average annual number of tons

(3) % of accomplished State goal to acquire 320,957 acres of open space

n/a = statistic not available at time of publication

State of Connecticut

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
610,527	581,174	556,558	465,667	434,480	409,960
18,506	19,223	20,517	20,862	20,862	20,203
n/a	n/a	40,218	38,912	38,047	36,634
n/a	n/a	200,637	193,212	191,134	184,544
117	102	188	257	281	212
326	340	258	282	215	265
4.185	4.157	4.353	4.313	4.399	4,302
16,674	16,591	17,631	18,431	19,204	19,482
\$95	\$95	\$95	\$90	\$92	\$90
443,135	468,981	513,511	567,607	563,572	570,497
48,779	50,699	53,345	57,778	56,555	56,500

State of Connecticut

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

(Expressed in Thousands)

		2018	2017	2016	2015
Legislative	Total	\$ 175,639	\$ 175,443	\$ 175,558	\$ 171,286
Buildings		158,920	158,920	159,076	157,087
Equipment		16,719	16,523	16,482	14,199
General Government	Total	\$ 1,224,216	\$ 1,197,084	\$ 1,201,502	\$ 1,263,226
Land		195,144	195,019	193,582	192,744
Construction in Progress		191,777	159,258	150,531	188,534
Buildings		386,980	392,715	392,608	392,392
Improvements Other than Buildings		58,540	57,845	54,701	54,016
Equipment		391,775	392,247	410,080	435,540
Regulation and Protection	Total	\$ 657,696	\$ 644,256	\$ 621,075	\$ 582,024
Land		9,021	9,192	9,227	9,227
Buildings		348,866	3,249,689	326,690	326,624
Improvements Other than Buildings		27,838	26,850	27,977	27,496
Equipment		271,971	258,525	257,181	218,677
Conservation and Development	Total	\$ 687,810	\$ 680,764	\$ 668,268	\$ 652,381
Land		420,982	414,666	402,633	389,414
Buildings		121,707	121,711	121,493	121,393
Improvements Other than Buildings		74,992	75,717	75,717	74,992
Equipment		70,129	68,670	68,425	66,582
Health and Hospital	Total	\$ 314,710	\$ 314,133	\$ 315,655	\$ 365,287
Land		6,547	6,645	6,697	6,707
Buildings		236,997	235,373	239,172	289,390
Improvements Other than Buildings		19,383	19,558	19,530	19,013
Equipment		51,783	52,557	50,256	50,177
Transportation	Total	\$ 25,395,835	\$ 24,322,303	\$ 22,745,027	\$ 21,579,682
Land		1,166,958	1,131,384	1,106,967	1,083,450
Construction in Progress		4,861,493	4,829,184	4,393,784	3,476,307
Buildings		1,120,371	1,105,084	917,872	1,025,616
Improvements Other than Buildings		236,717	236,741	233,234	228,346
Equipment		1,402,688	1,421,982	1,419,842	1,458,601
Infrastructure		16,607,608	15,597,928	14,673,328	14,307,362
Human Services	Total	\$ 16,568	\$ 18,320	\$ 17,038	\$ 17,285
Improvements Other than Buildings		945	691	672	667
Equipment		15,623	17,629	16,366	16,618
Education, Libraries, and Museums	Total	\$ 1,111,229	\$ 1,108,499	\$ 1,082,196	\$ 1,052,735
Land		1,027	1,027	1,027	1,027
Buildings		1,018,220	1,015,642	990,879	864,538
Improvements Other than Buildings		220	220	220	209
Equipment		91,762	91,610	90,070	186,961
Corrections	Total	\$ 1,050,917	\$ 1,052,226	\$ 1,039,570	\$ 1,031,119
Land		10,322	10,322	10,322	10,322
Buildings		775,896	775,880	775,294	768,283
Improvements Other than Buildings		49,426	49,401	48,991	52,625
Equipment		215,273	216,623	204,963	199,889
Judicial	Total	\$ 579,264	\$ 576,661	\$ 505,586	\$ 462,125
Land		23,194	20,076	17,181	15,601
Buildings		465,369	465,349	398,216	351,219
Improvements Other than Buildings		5,269	5,688	5,663	5,663
Equipment		85,432	85,548	84,526	89,642
Total Capital Assets at Historical Cost		\$ 31,213,884	\$ 30,089,689	\$ 28,371,475	\$ 27,177,150
Total Accumulated Depreciation		\$ (15,781,276)	\$ (15,205,258)	\$ (14,665,574)	\$ (14,145,909)
Governmental Activities, Capital Assets, Net		\$ 15,432,608	\$ 14,884,431	\$ 13,705,901	\$ 13,031,241

State of Connecticut

						(restated)
2014	2013	2012	2011	2010	2009	
\$ 171,283	\$ 170,552	\$ 170,329	\$ 171,245	\$ 168,349	\$ 168,584	
157,087	156,805	156,805	156,805	156,585	156,585	
14,195	13,747	13,524	14,440	11,764	11,999	
\$ 1,254,165	\$ 1,259,818	\$ 1,017,372	\$ 1,189,407	\$ 1,218,961	\$ 1,154,135	
190,216	189,192	193,063	191,400	180,404	160,947	
233,319	308,902	144,159	296,604	331,767	379,176	
382,840	321,232	297,896	297,821	297,601	244,017	
53,937	53,638	54,741	54,741	54,763	54,768	
384,854	386,854	327,513	348,841	354,426	315,227	
\$ 557,330	\$ 481,959	\$ 452,633	\$ 402,401	\$ 395,028	\$ 376,832	
8,775	8,775	8,775	8,837	8,837	8,823	
320,719	256,762	236,968	210,755	209,095	201,776	
24,430	19,846	19,846	19,837	17,181	17,076	
203,406	196,576	187,044	162,972	159,915	149,157	
\$ 630,730	\$ 614,615	\$ 603,652	\$ 590,538	\$ 571,685	\$ 475,504	
381,167	374,267	366,999	355,989	345,121	248,585	
108,731	107,640	107,146	107,653	104,548	104,476	
75,717	72,907	70,753	69,317	65,650	63,340	
65,114	59,801	58,754	57,579	56,366	59,103	
\$ 358,066	\$ 357,353	\$ 298,566	\$ 311,328	\$ 304,608	\$ 300,135	
6,752	6,561	6,767	6,911	6,911	6,913	
284,411	283,644	227,432	239,079	224,682	222,123	
18,800	18,778	16,988	18,757	27,094	26,061	
48,103	48,370	47,382	46,581	45,921	45,038	
\$ 20,444,797	\$ 19,395,070	\$ 18,343,934	\$ 17,338,101	\$ 16,256,933	\$ 15,637,149	
1,072,625	1,060,109	1,036,517	1,004,641	993,751	942,688	
3,231,739	2,690,602	2,441,123	2,043,549	1,387,610	973,326	
746,765	576,030	560,152	543,331	481,206	466,452	
211,743	260,263	254,243	246,874	246,075	247,521	
1,357,277	1,155,032	1,028,099	843,984	592,510	740,699	
13,824,648	13,653,034	13,023,800	12,655,722	12,555,781	12,266,463	
\$ 16,841	\$ 16,843	\$ 13,926	\$ 14,142	\$ 14,441	\$ 13,809	
667	667	667	667	-	-	
16,173	16,176	13,259	13,475	14,441	13,809	
\$ 1,064,712	\$ 977,529	\$ 779,508	\$ 776,143	\$ 773,831	\$ 570,910	
1,027	1,027	1,027	1,027	1,027	1,027	
890,490	802,713	608,276	608,276	608,276	406,118	
209	8,217	8,217	8,217	8,211	8,200	
172,986	165,572	161,988	158,623	156,317	155,565	
\$ 1,012,802	\$ 1,007,522	\$ 1,010,491	\$ 1,003,179	\$ 975,787	\$ 978,850	
10,322	10,305	10,305	10,351	10,351	10,351	
762,754	759,122	756,975	760,336	740,705	737,481	
52,162	51,515	51,481	51,140	50,793	51,437	
187,563	186,580	191,730	181,352	173,938	179,581	
\$ 462,672	\$ 456,279	\$ 450,962	\$ 448,899	\$ 454,167	\$ 439,743	
15,648	15,648	15,648	15,648	15,648	14,616	
351,922	351,922	351,922	351,830	351,821	343,153	
5,369	4,675	3,242	1,740	1,657	1,767	
89,733	84,034	80,150	79,681	85,041	80,207	
\$ 25,973,398	\$ 24,737,540	\$ 23,141,373	\$ 22,245,383	\$ 21,133,790	\$ 20,115,651	
\$ (13,433,773)	\$ (12,750,730)	\$ (12,175,489)	\$ (11,321,085)	\$ (10,563,938)	\$ (9,921,291)	
\$ 12,539,625	\$ 11,986,810	\$ 10,965,884	\$ 10,924,298	\$ 10,569,852	\$ 10,194,360	