Comprehensive Annual Financial Report

FOR THE YEAR ENDED JUNE 30, 2018

Included as an Enterprise Fund of the State of Connecticut

PREPARED BY THE OFFICE
OF THE CONTROLLER

UCONN | UNIVERSITY OF CONNECTICUT

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INTRODUCTORY SECTION

UCONN
UNIVERSITY OF CONNECTICUT

LETTER OF TRANSMITTAL

December 28, 2018

To President Herbst,
Members of the Board of Trustees, and
University of Connecticut Community:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the University of Connecticut for the fiscal year ended June 30, 2018. For purposes of this report, the University of Connecticut (University) is herein defined as all financial activity from Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law, and the School of Social Work. The University of Connecticut Health Center (UConn Health), which maintains a separate budget and issues its own audited financial statements, is excluded from this report.

The CAFR includes the Management's Discussion and Analysis (MD&A), the basic financial statements, notes, other supplementary and statistical information. The CAFR provides financial information about the University's results of activities during the year and describes its financial position at the end of the year based on currently known facts, decisions, and conditions.

Management assumes full responsibility for the contents of this report including the accuracy, completeness, and fairness of the data presented. We believe the University's system of internal controls is sufficient to identify material misstatements. Although we have strong internal controls, the cost of internal controls should not exceed the benefits. Therefore, the objective of the University's internal control system is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements, and that assets are safeguarded against loss from unauthorized use or disposition.

The University's Joint Audit and Compliance Committee of the Board of Trustees exercises oversight over the integrity of its financial statements and internal control systems, as well as direct engagement in the approval of independent auditing services. Certain bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit for the fiscal year ended June 30, 2018 was performed by the State of Connecticut Auditors of Public Accounts. They have issued an unqualified opinion on the fair presentation of the financial statements. The independent auditors' opinion can be found in the front of the financial section.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformity with standards established by the Governmental Accounting Standards Board (GASB), as well as using guidelines of the Government Finance Officers Association of the United States and Canada (GFOA). The MD&A is presented to supplement the financial statements and should be read in conjunction with this letter of transmittal. The MD&A can be found immediately following the auditors' report

University Profile

Background
The University was founded in 1881 when Charles and Augustus Storrs donated land and money to the State of Connecticut (State), establishing the Storrs Agricultural School later to become Connecticut's land-grant college. Today the University serves as the State's flagship institution for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service, and outreach.

The University is governed by the Board of Trustees that is composed of 21 members, including the Governor, the UConn Health Board of Directors Chair, and the Commissioners of Agriculture, Economic and Community Development, and Education. The University is reported as an enterprise fund in the State's CAFR and operates as a state-assisted institution of higher education.

The University supports a robust research program, with a "Research 1" classification that places it among those universities with the highest level of research activity. A number of University programs rank among the top research programs in their respective disciplines, including Educational Psychology, Linguistics, Agricultural and Resource Economics, Management, Nutritional Sciences, Communications, Genetics and Genome Sciences, Operations and Information Management, and Computer Science and Engineering.

In addition to academics, the University also participates in Division I athletics. In 2017, the women's field hockey team posted the program's first undefeated season en route to winning their third national title in five years. In 2016, the University's women's basketball team set records by winning their fourth consecutive, and eleventh overall, national championship and continue to be a basketball powerhouse year after year.

Student and Faculty Data
For the 2017-2018 academic year, the number of applications for undergraduate admissions grew to almost 37,000 for just 5,300 seats. Total enrollment in the fall of 2017 was 31,590 students, including more than 7,700 graduate students. There were 42 states represented in the University's student population, as well as 108 countries. Of the 23,845 undergraduates, 51 percent were female and 33 percent were minority students. The University employs 1,545 full-time faculty members and an additional 762 part-time faculty and adjuncts. In 2017-2018, the University awarded 8,650 degrees. Approximately 76 percent of graduates who attended high school in Connecticut, who are employed, continue to work in the State of Connecticut.

Component Units
In accordance with GASB reporting requirements, the University of Connecticut Law School Foundation, Inc. (Law School Foundation) is discretely presented as a component unit of the University. The University of Connecticut Foundation, Inc. (Foundation), a related organization, operates exclusively to promote the educational, scientific, cultural, research and recreational objectives for both the University and UConn Health, and therefore is not included as a component unit in the accompanying financial statements. See Notes 1 and 15 for additional information regarding component units and related organizations.

Economic Condition

The Connecticut economy continues to experience steady growth. In September 2017, the unemployment rate was 4.5 percent. Since then, the unemployment rate has dropped 0.3 percent to 4.2 percent. Between fiscal year 2016 and fiscal year 2017, the statewide annual average wage grew 1.2 percent to $66,648. According to the Connecticut Economic Digest in 2017, single-family home sales grew by 5 percent over the prior year, while the median single-family home sales price saw an increase of just 1.6 percent to $249,900. Conventional mortgage rates remained near historic lows, averaging 3.99 percent, keeping rates under 4 percent for the fifth time in six years.

However, despite the State's economic gains, Connecticut continues to deal with fiscal uncertainty. An October 2018 report from the Mercatus Center at George Mason University highlights concerns over Connecticut's fiscal health. The report ranks Connecticut 49th out of 50 for fiscal health, which is a measure of (1) cash, (2) budget, (3) long-run, (4) service-level, and (5) trust fund solvencies. The main contributing factors are the large unfunded pension liabilities that loom over the State.

Long-Term Financial Planning

Despite recent cuts in State support, the University is a financially stable institution with exceptional educational programs and research, and it continues to successfully balance financial needs and investments for long-term growth while improving the educational quality for students and faculty alike. The University's long-term plan includes becoming more self-reliant in generating diverse operating revenues amid a potential for decreases in State support. The University will maintain a balanced budget for its growing operations through increases in student tuition, increases in philanthropy, and reductions in spending.

Increases in Student Tuition
Starting in fiscal year 2017 and growing since that time, tuition revenue has become the largest source of revenue for the University. During fiscal year 2016, the University's Board of Trustees approved a new four-year tuition plan through fiscal year 2020. Fiscal year 2018 represented the second year of that plan with modest increases. This is the second time that the Board of Trustees has adopted a four-year tuition plan rather than addressing tuition each year. The multi-year plan provides more detail and certainty for students as they plan with their families for their college careers. Although tuition will increase, more financial aid will also be available to help address issues of affordability and accessibility for the University's students.

Increases in Philanthropy
Philanthropy is an area of revenue growth for the University and is part of the University's long-term financial planning. The Foundation, which supports both the University and UConn Health, has seen substantial changes in the last few years. In fiscal year 2018, the Foundation raised $82.4 million in contributions and commitments, which was the largest amount in Foundation history and represented a 15 percent increase compared to fiscal year 2017. Additionally, the Law School Foundation (previously separate) has now moved under the Foundation umbrella, which strengthens the overall portfolio.

Reductions in Spending
Over the last several years, the University has taken measures to help promote efficiencies, engage in strategic hiring, align organizational structures, and identify overall expense reductions in order to manage its finances amid declining State support. University departments continue to look for ways to do more with less support while attempting to maintain academic excellence and a high standard of service to our students.

Major Initiatives

Next Generation Connecticut (NextGenCT) represents one of the most ambitious State investments in economic development, higher education, and research in the nation, with a particular focus on capital investment. The NextGenCT initiative added $1.5 billion in bond funds for new and renovated facilities, extending the UCONN 2000 capital improvement program that began in 1995 to 2027. An operating component was also included, but has been limited due to the State's financial constraints. The general obligation bonds issued through UCONN 2000 and NextGenCT are secured by the State's debt service commitment, thus there are no revenues budgeted for payment of these bonds. Since fiscal year 2015, UConn has been authorized $1.0 billion in funding for this initiative, with an additional $291.6 million and $186.2 million coming in fiscal years 2020 and 2021, respectively. These funds have allowed UConn to open a new residential hall, renovate the associated dining hall, build a new downtown Hartford campus, complete the Engineering and Science Building, open the Innovation Partnership Building, update and renovate various buildings throughout campus, and address needed infrastructure and deferred maintenance improvements.

Despite reductions in operating funding, the NextGenCT initiative has provided a strong framework for the University and has aided the State's economy. Since the beginning of the initiative, many new faculty have been hired, particularly in the fields of science, technology, engineering, and math (STEM). Additionally, funds have been provided for STEM scholarships and STEM fellowships, as well as for staff positions. Since fiscal year 2013, undergraduate enrollment has grown by 1,544 at all campuses with a 31 percent increase in STEM undergraduate enrollment at Storrs. This ongoing success has attracted higher quality students and the University maintains solid rankings in virtually all relevant areas.

Academic and Financial Highlights

Highlights from the 2017-2018 academic year include the following:

- For fall 2017, the University ranks 20th out of 58 public research universities in graduation rates for all freshmen and 22nd out of 58 for minority freshmen. Furthermore, the University ranks 16th among the National Public Research Universities for freshman retention.

- Among the graduates from the 2016-2017 academic year, approximately 54 percent are employed, continuing their education, or living or volunteering in the State, with another 33 percent engaging in the same productive activity in other states. The working graduates have an average annual wage increase of 63 percent between their second and fifth year in the workforce.

- The University reduced the time to graduation to 4.2 years, which ranks 4th among public research peers. This was accomplished by increasing the number of class offerings and reducing the student-to-faculty ratio. Decreasing the time to graduation helps UConn students pay less in tuition and join the workforce more quickly.

- In fiscal year 2018, the University provided $119.1 million in institutionally funded financial aid, and has budgeted an additional $13.4 million for fiscal year 2019. This represents nearly an 11 percent increase over last fiscal year.

- As of this date, the University has expended $3.0 billion out of the $3.1 billion of bonds authorized under the UCONN 2000 capital improvement program.

Looking ahead, the University will continue to build on these accomplishments and further strengthen its programs and services for faculty, staff, students, and the University community.

Awards and Acknowledgements

The University marked its eighth consecutive year among the nation's top 25 public universities, according to the 2019 U.S. News & World Report rankings. The No. 22 ranking reflects the University's strong graduation and retention rates, academic excellence, faculty resources, and other factors that are weighed into the annual evaluations. Similarly, according to the Wall Street Journal/Times Higher Education College Rankings, the University sits at No. 23 for top public universities in the United States. The Wall Street Journal ranking system puts emphasis on student success and learning, by factoring in (1) resources, (2) engagement, (3) outcomes, and (4) the environment, as measures of university quality.

Finally, the University holds a number of other worthy distinctions among universities domestically and globally. According to Money Magazine's 2018 "Best Colleges For Your Money" rankings, the University ranks 32nd out of 257 public higher education institutions across the United States, citing financial assistance, strong graduation rates, and salaries of graduates as the key factors in their rankings. The University occupies the 3rd spot (out of 239) on the Sierra Club's 2018 "Cool Schools" ranking;

in part because of the University's plan to become carbon neutral by 2050. Furthermore, the University was 7th out of more than 600 universities worldwide, and 2nd in the United States, on the 2017 GreenMetric World University Ranking, which rates universities on their response to sustainability issues.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2017. To receive a Certificate of Achievement, a report issuer must publish an easily readable and efficiently organized CAFR, and must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The University will submit its CAFR for the fiscal year ended June 30, 2018 to the GFOA, and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts from staff within the Office of the Controller and other University financial staff. Each member has my sincere appreciation for their individual contribution in the preparation of the report.

Respectfully submitted,

Scott Jordan
Executive Vice President for Administration
and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Connecticut

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

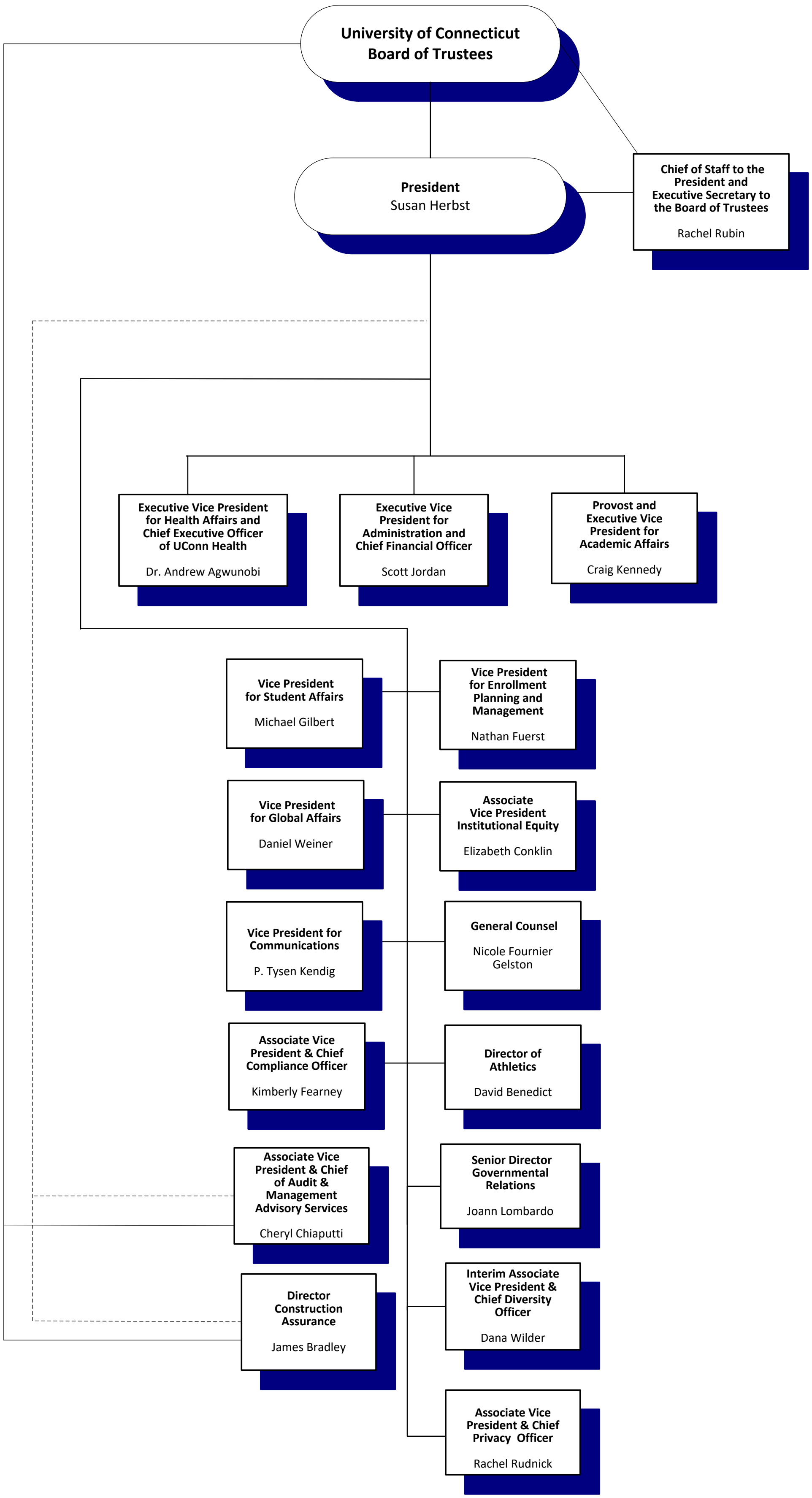
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

UNIVERSITY OF CONNECTICUT
BOARD OF TRUSTEES
As of June 30, 2018

UNIVERSITY OF CONNECTICUT
Organization Chart



FINANCIAL SECTION

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN | STATE CAPITOL 20 TRINITY STREET HARTFORD, CONNECTICUT 06106-1559 | ROBERT J, KANE

INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
University of Connecticut

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut (UConn), a component unit of the University of Connecticut system, which includes UConn, the University of Connecticut Health Center and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, collectively comprise UConn's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements referred to above present fairly, in all material respects, the financial position of UConn as of June 30, 2018 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, UConn adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which resulted in UConn 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

The accompanying Management's Discussion and Analysis on pages 15 through 25 and the Required Supplementary Information on pages 54 through 56 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not 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 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

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 and opinion or provide any assurance on them.

Sincerely,

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor

December 28, 2018
State Capitol
Hartford, Connecticut

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Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial position and results of activities for the fiscal year ended June 30, 2018, and selected comparative information from fiscal year 2017. It includes highly summarized information and should be read in conjunction with the accompanying financial statements and notes.

Reporting Entity

The University of Connecticut (University) is herein defined as all programs except for the University of Connecticut Health Center (UConn Health, see Note 1). This includes programs offered at the Storrs main campus, regional campuses, the School of Law, and the School of Social Work.

The University's financial report includes three basic financial statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The MD&A, financial statements, notes, and other supplementary information are the responsibility of management.

Key Reporting Changes

In fiscal year 2018, the University adopted GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of this adoption, the University now reports its proportionate share of the State of Connecticut's liability for other post-employment benefits (OPEB) provided to State employees. Since the information is not available to restate all data for fiscal year 2017, the cumulative effect of applying GASB 75 is reported as an adjustment of $1,235.5 million to beginning net position for the fiscal year ended June 30, 2018 (see Note 1).

Additionally, certain amounts presented in the condensed schedules of this MD&A for fiscal year 2017 were restated to reflect reclassifications applied in fiscal year 2018 for the following:

- Federal and state financial aid was reclassified from grants and contracts under operating revenues to nonoperating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position.
- Disposal of property and equipment, net, was reclassified from other changes in net position to nonoperating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position.
- A portion of the service concession arrangement liability reported as other current liabilities on the Statement of Net Position was reclassified to other noncurrent liabilities for payments due beyond one year.

These changes affected the presentation of revenues and expenses shown on the Statement of Revenues, Expenses, and Changes in Net Position and the presentation of liabilities shown on the Statement of Net Position, but there was no impact to net position as of June 30, 2017, as a result of these adjustments.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on the revenues received, the expenses paid, and any other gains and losses recognized by the University. Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of the University. Operating expenses are incurred in the normal operations of the University and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include a provision for estimated depreciation and amortization of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss.

By its very nature, a state-funded institution does not receive tuition, fees, room, and board revenues sufficient to support the operations of the University. Nonoperating revenues are received for which goods and services are not provided but are essential to the programs and services provided by the University. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations, the State's debt service commitment for interest, federal and state financial aid, noncapital gifts, and short-term investment income.

Other changes in net position are composed primarily of the State's debt service commitment for principal and capital grants and gifts.

The Condensed Schedule of Revenues, Expenses, and Changes in Net Position on the following page reflects an increase in net position at the end of fiscal year 2018, exclusive of the cumulative effect of applying GASB 75.

The following table shows a Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 ($ in millions):

	2018	(Restated)* 2017	$ Change	% Change
Operating Revenues				
Student tuition and fees, net	$ 386.9	$ 367.4	$ 19.5	5.3%
Grants and contracts	144.4	145.3	(0.9)	(0.6)%
Sales and services of auxiliary enterprises, net	211.0	209.9	1.1	0.5%
Other	37.7	32.2	5.5	17.1%
Total Operating Revenues	780.0	754.8	25.2	3.3%
Operating Expenses				
Salaries and wages	569.3	556.4	12.9	2.3%
Fringe benefits	338.5	349.3	(10.8)	(3.1)%
Supplies and other expenses	264.5	245.4	19.1	7.8%
Utilities	19.7	19.0	0.7	3.7%
Depreciation and amortization	108.2	104.8	3.4	3.2%
Scholarships and fellowships	8.9	11.8	(2.9)	(24.6)%
Total Operating Expenses	1,309.1	1,286.7	22.4	1.7%
Operating Loss	(529.1)	(531.9)	2.8	(0.5)%
Nonoperating Revenues (Expenses)				
State appropriation	343.0	374.1	(31.1)	(8.3)%
State debt service commitment for interest	70.7	64.7	6.0	9.3%
Federal and state financial aid	38.0	34.8	3.2	9.2%
Gifts and investment income	25.8	26.6	(0.8)	(3.0)%
Interest and other expenses	(68.6)	(62.3)	(6.3)	10.1%
Net Nonoperating Revenues	408.9	437.9	(29.0)	(6.6)%
Loss Before Other Changes in Net Position	(120.2)	(94.0)	(26.2)	27.9%
Other Changes in Net Position				
State debt service commitment for principal	187.3	281.6	(94.3)	(33.5)%
Capital grants and gifts	5.1	1.4	3.7	264.3%
Other	0.3	1.1	(0.8)	(72.7)%
Net Other Changes in Net Position	192.7	284.1	(91.4)	(32.2)%
Increase in Net Position	72.5	190.1	(117.6)	(61.9)%
Net Position – Beginning of Year	1,243.2	1,053.1	190.1	18.1%
Cumulative effect of applying GASB 75	(1,235.5)	-	(1,235.5)	100.0%
Net Position – End of Year	$ 80.2	$ 1,243.2	$ (1,163.0)	(93.5)%

*Federal and state financial aid was reclassified from operating revenues to nonoperating revenues (expenses). In addition, disposal of property and equipment, net, was reclassified from other changes in net position to nonoperating revenues (expenses).

Summarized highlights of the information presented in the Condensed Schedule of Revenues, Expenses, and Changes in Net Position are as follows:

Revenues

Operating revenues increased $25.2 million in fiscal year 2018 based on the following factors:

- Student tuition and fees, net of scholarship allowances, increased $19.5 million. The rise was mainly due to an average increase in tuition and mandatory fees and a slight increase in undergraduate enrollment, offset in part by higher scholarship allowances and waivers. Increases in student late fees and new visa compliance fees also contributed to the rise in fiscal year 2018.
- Grant revenue can fluctuate year over year depending on various factors including the availability of funding from sponsors, the timing of large grants, and when expenses are incurred. Total grants and contracts decreased $0.9 million due to a decrease in nongovernmental grants of $9.6 million, partially offset by increases in federal grants of $6.2 million and state and local grants of $2.5 million.

Nongovernmental grants decreased due to lower grant revenue recognized from private foundations in fiscal year 2018 compared to the prior year. Grants from the National Science Foundation and the National Institutes of Health contributed to the increase in federal grants and contracts.

- Sales and services of auxiliary enterprises, net of scholarship allowances, showed an overall increase of $1.1 million, mainly due to an increase in room and board fees. Revenue from athletic programs also increased largely due to higher conference distributions and the establishment of the FIT (Facilities Investment Together) surcharge on athletic tickets to help finance the construction of new sports facilities. These revenue increases in fiscal year 2018 were offset in part by a decrease of $4.7 million in insurance claim proceeds for a settlement that took place in fiscal year 2017.

- Other operating revenues increased $5.5 million. This increase was primarily due to increases in revenue from service centers, renewable energy credits, pre-college summer program fees, payment plan fees, and rental income from various University-owned properties.

Revenues under nonoperating and other changes in net position decreased $114.1 million based on the following:

- State appropriations decreased by $31.1 million due to State budget cuts implemented in fiscal year 2018.

- The State commits to pay for interest incurred on general obligation bonds issued by the University for capital purposes and for UConn Health projects (see Note 6). Effectively, this revenue offsets a significant portion of interest expense each year, and the noted increase in revenue from interest corresponds with a related increase in interest expense. In addition, as general obligation bonds are issued, the State commits to the repayment of the future principal amounts. The decrease in revenue related to principal of $94.3 million was due in part to general obligations issued with a lower par amount in the current year. Furthermore, the proportion of bond proceeds designated for UConn Health projects that is reported as a reduction to revenue was higher in fiscal year 2018.

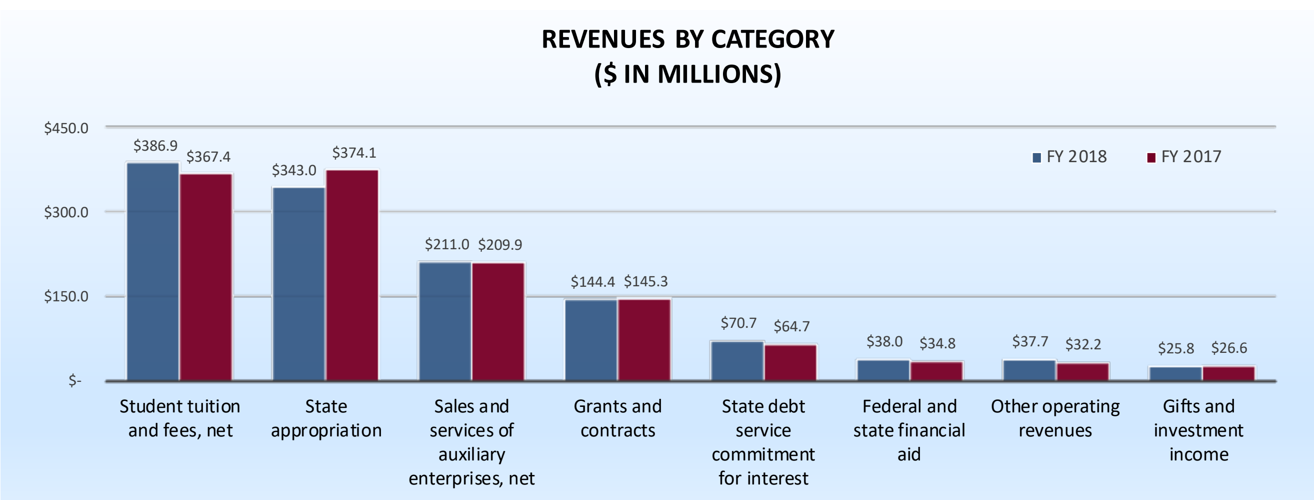
- Federal and state financial aid was $3.2 million higher mainly due to an increase in Federal Pell grants.

- Gifts and investment income decreased $0.8 million. This change was due to a decrease in total gift revenue of $3.9 million partially offset by an increase in investment income of $3.1 million. Lower gift revenue in fiscal year 2018 was mainly due to a decrease in reimbursement requests of eligible athletic expenses from spendable resources held by the University of Connecticut Foundation. Investment income increased due to higher interest rates for funds held in the State's short-term investment fund.

- Capital grants and gifts increased $3.7 million. The change was due in part to assets transferred from UConn Health in connection with the consolidation of the police and fire department services in fiscal year 2018 (see Note 15). The University also received several works of art for the Benton Museum and various one-time donations of equipment in fiscal year 2018.

- Other revenues decreased $0.8 million in fiscal year 2018. This change was mainly due to a decrease in additions to permanent endowments.

The following graph shows the University's total operating and nonoperating revenues by category, excluding other changes in net position:



Expenses

Total expenses increased $28.7 million in fiscal year 2018 based on the following:

- Salaries and wages increased $12.9 million. This increase was primarily due to one-time lump-sum payments and merit bonuses awarded to employees in accordance with the 2017 State Employees' Bargaining Agent Coalition (SEBAC) agreement combined with a 1.5 percent increase in full-time equivalents.

- Fringe benefits decreased $10.8 million due to pension benefit changes set forth in the 2017 SEBAC agreement. This decrease was partially offset by OPEB expenses under GASB 75, fringe benefit rate increases, and additional fringe costs related to the SEBAC awards.

- Supplies and other expenses increased $19.1 million due to the following:

  - General expenses were higher by $8.9 million in instruction, research, academic support, student services, and institutional support. This change was mainly due to increases in services related to education abroad and music programs, rent expenses for new lease agreements, advertising costs for graduate programs, subscriptions, fundraising and development, and executive recruitment costs.

  - Public service expenses were lower by $1.1 million due to a general decrease in services and supplies.

  - Operations and maintenance of plant increased $5.1 million due to higher general repair and maintenance costs combined with an increase in landscaping, snow removal, and other custodial services.

  - Auxiliary enterprises also reflected higher expenses of $6.2 million, primarily due to increases in transportation shuttle services, public transit passes for students, parking services, consulting, and other professional services.

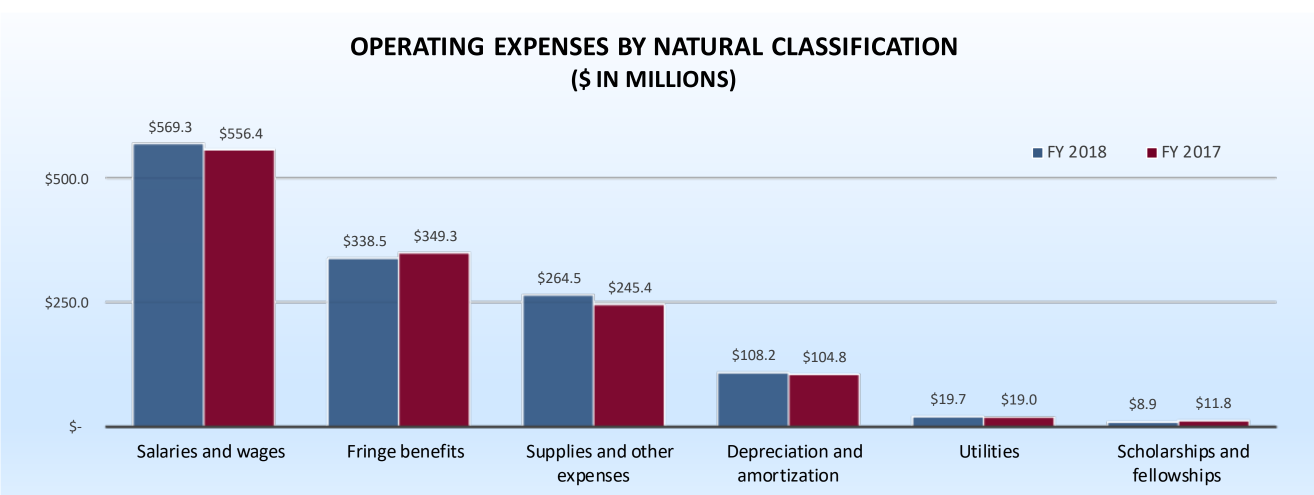
- Utilities expense increased $0.7 million, mainly due to higher oil and electricity costs offset by decreases in natural gas costs. Increases in oil costs were triggered by a higher usage of temporary boilers combined with the Cogeneration Facility switching from natural gas to oil for a longer period compared to the prior year. Lower natural gas costs resulted primarily from participation in the Energy Savings Performance Contracting program and lower prices.

- Depreciation and amortization expense increased $3.4 million due to a significant amount of depreciable assets placed into service during fiscal year 2018 partially offset by retirements.

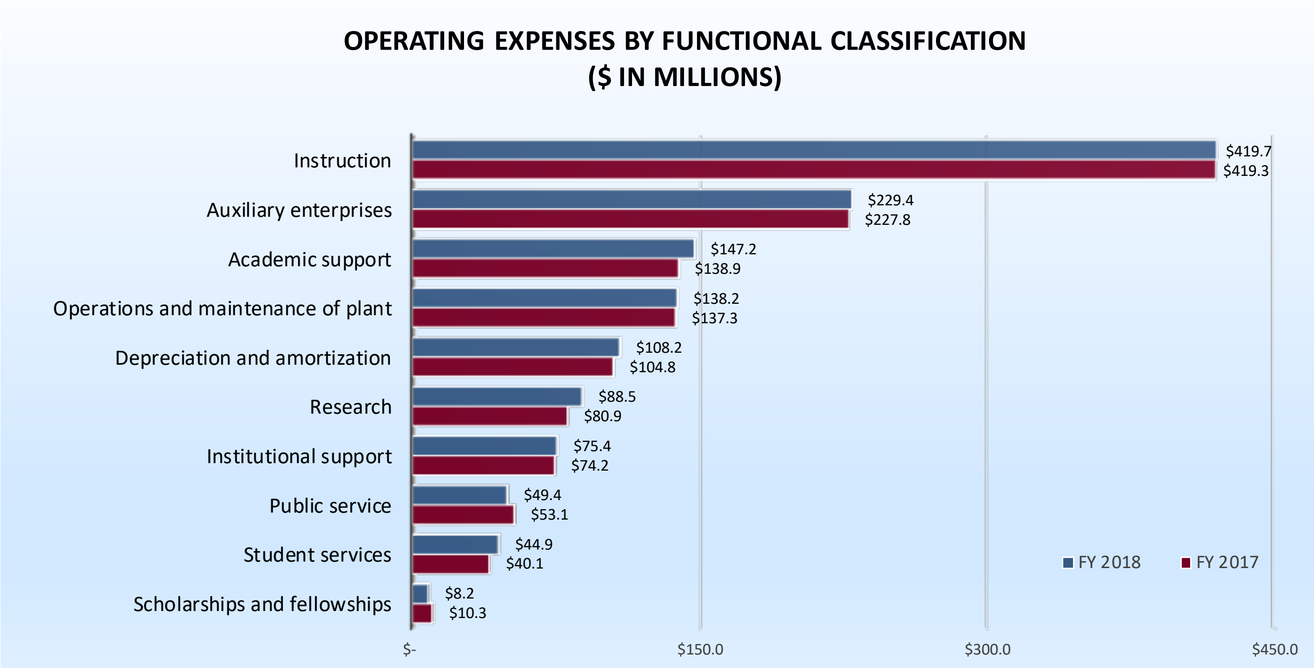
- Scholarships and fellowships decreased $2.9 million, primarily due to more aid applied to tuition, fees, room, and board than amounts paid directly to students combined with a decrease in private scholarships.

- Interest expense increased $5.6 million due to a full year of interest expense on the 2017 Series A General Obligation Bonds and interest expense on new debt issued in fiscal year 2018. This increase was partially offset by decreases in interest on remaining bonds due to lower principal balances. Other nonoperating expenses, net, which consist mainly of bond issuance costs offset by fair market value adjustments, increased $0.7 million. This increase was primarily due to higher bond issuance costs associated with general obligation and Special Obligation Student Fee Revenue Bonds issued during fiscal year 2018.

The following graph shows University's operating expenses by natural classification:



The University's operating expenses by functional classification are presented below:



STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of the University. This statement presents a snapshot concerning assets classified as current (those available for use within one year) and noncurrent (those available beyond one year), liabilities categorized as current (those maturing and due within one year) and noncurrent (those maturing and due after one year), and net position.

Assets represent what is owned by or what is owed to the University, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University. A deferred outflow of resources represents the consumption of net assets by the University that is applicable to a future reporting period, whereas a deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

The University's net position is the residual value in assets and deferred outflows after liabilities and deferred inflows are deducted. Over time, an increase in net position is an indicator of the University's improving financial strength.

Assets

Total assets increased $514.6 million in fiscal year 2018. Total current assets increased $173.2 million, net property and equipment increased $195.2 million, and noncurrent assets increased $146.2 million.

- The change in current assets was due to the following:
  - Cash and cash equivalents decreased $21.2 million, which corresponds with lower state appropriation and a decrease in student payments received in advance of the next academic year.
  - Due from State decreased $33.3 million, primarily a result of capital expenditures paid by State General Obligation Bonds for the technology park during fiscal year 2018.
  - Due from affiliate (UConn Health) increased $5.0 million primarily due to additional receivables related to the consolidation of the police and fire departments with UConn Health (see Note 15).
  - The current portion of the State debt service commitment increased $10.3 million, attributable to the issuance of the 2018 Series A General Obligation Bonds and an increase in interest expense, partially offset by principal payments.
  - Deposits with bond trustee increased $215.5 million due to timing of the issuance of general obligation bonds compared to the prior year, the issuance of the 2018 Special Obligation Student Fee Revenue

Bonds, and the creation of the Renewal and Replacement fund in fiscal year 2018 (see Notes 1 and 2).

- The net increase in capital assets consists of $305.4 million in additions offset in part by $108.2 million of depreciation and $2.0 million of retirements. The large additions are mostly due to the University's active construction program.

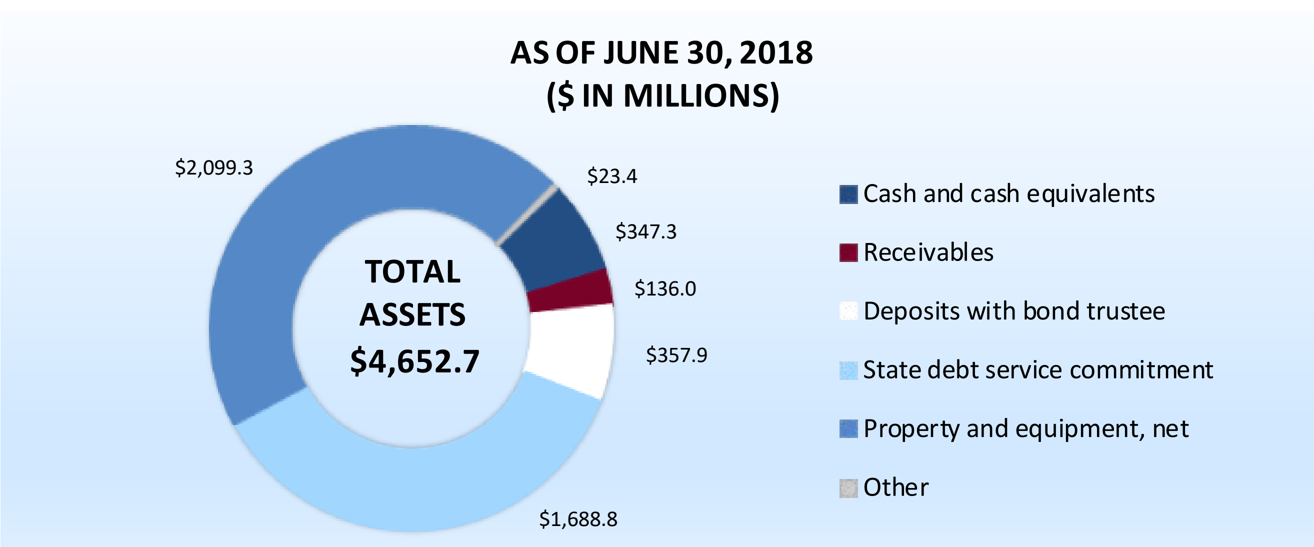
- The change in noncurrent assets corresponds with the increase in the long-term portion of the State debt service commitment of $147.1 million partially offset by a decrease in student loans receivable due to the closeout of the Federal Perkins Loan Program (see Note 7).

The following table shows a Condensed Schedule of Net Position at June 30 ($ in millions):

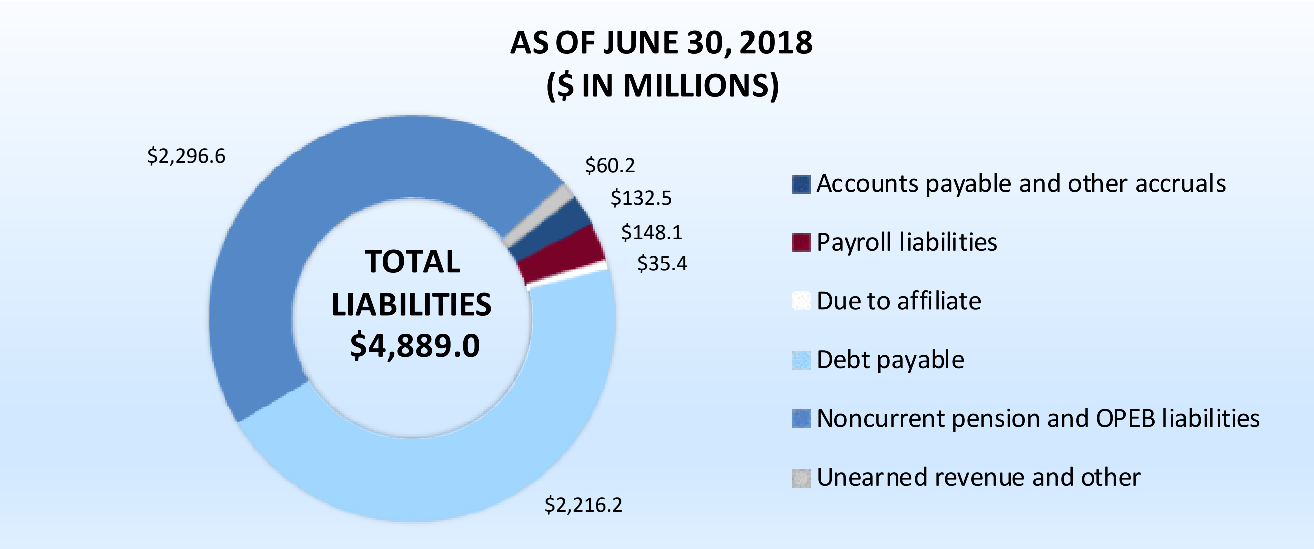
	2018	(Restated)* 2017	$ Change	% Change
Assets				
Current assets	$ 995.9	$ 822.7	$ 173.2	21.1%
Property and equipment, net	2,099.3	1,904.1	195.2	10.3%
Other noncurrent assets	1,557.5	1,411.3	146.2	10.4%
Total Assets	4,652.7	4,138.1	514.6	12.4%
Deferred Outflows of Resources	383.9	446.3	(62.4)	(14.0)%
Liabilities				
Current liabilities	497.0	465.5	31.5	6.8%
Noncurrent liabilities	4,392.0	2,871.5	1,520.5	53.0%
Total Liabilities	4,889.0	3,337.0	1,552.0	46.5%
Deferred Inflows of Resources	67.4	4.2	63.2	1,504.8%
Net Position				
Net investment in capital assets	1,682.3	1,557.5	124.8	8.0%
Restricted nonexpendable	15.0	14.5	0.5	3.4%
Restricted expendable	169.3	125.7	43.6	34.7%
Unrestricted	(1,786.4)	(454.5)	(1,331.9)	293.0%
Total Net Position	$ 80.2	$ 1,243.2	$ (1,163.0)	(93.5)%

*A portion of the service concession arrangement liability was reclassified from current liabilities to noncurrent liabilities.

The following graph shows total assets by major category:



The following graph shows total liabilities by major category:



Liabilities

Total liabilities increased $1,552.0 million in fiscal year 2018. Current liabilities increased $31.5 million and noncurrent liabilities increased $1,520.5 million.

- The change in current liabilities is attributed to the following:
  - Accounts payable decreased $20.3 million, primarily due to large capital projects that are close to completion in fiscal year 2018, including the Hartford Relocation Acquisition and Renovation, Innovation Partnership Building, Engineering and Science Building, and UConn Health projects.
  - Unearned revenue decreased by $8.0 million, mainly due to the timing of student billings and the cancellation of the room deposit fee for continuing students for the upcoming academic year.
  - The current portion of federal refundable loans increased $2.2 million due to the remittance of excess cash on hand for the Federal Perkins Loan Program that will start in fiscal year 2019 as part of the closeout process.
  - Due to affiliate increased $23.9 million. This change was primarily a result of timing of general obligation bond issuances and an increase in bond proceeds allocated to UConn Health in fiscal year 2018 compared to the prior year.
  - Wages payable and due to State reflected a combined increase of $19.5 million due to longevity payments and SEBAC awards accrued at year-end as well as the related fringe benefits reimbursed to the State.
  - The University's current portion of debt payable also increased $13.4 million. This change was primarily due to the new Stamford housing capital lease liability combined with general obligation bonds and Special Obligation Student Fee Revenue Bonds issued during the year.

- The change in noncurrent liabilities is attributed to the following:
  - Compensated absences increased $7.6 million, primarily due to a cap increase for vacation payouts to certain union employees combined with less vacation time used in fiscal year 2018. These changes resulted in an overall increase in accrued time.
  - Long-term debt increased $347.1 million resulting from issuances of new debt offset by repayments in fiscal year 2018.
  - Pension liabilities decreased $118.7 million, primarily due to pension benefit changes from the 2017 SEBAC agreement combined with a decrease in the University's proportionate share of the collective net pension liability.
  - Net OPEB liability increased $1,283.9 million due to the implementation of GASB 75 that required the University to report its proportionate share of the State's OPEB liability.

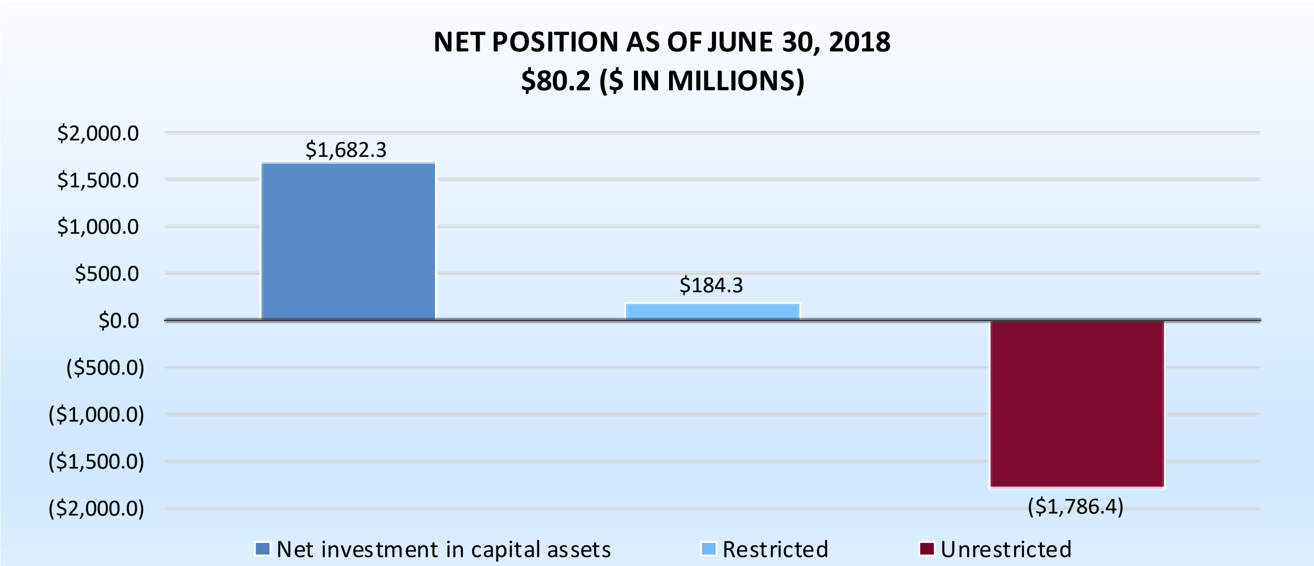
Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources decreased $62.4 million, mainly due to the amortization of outflows related to pension plans partially offset by an increase in OPEB contributions made subsequent to the measurement date in fiscal year 2018. Deferred inflows increased $63.2 million, primarily due to the addition of OPEB-related deferred inflows and changes in the University's proportion of the collective net pension liability.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments in the University's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to the University for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

The following graph shows net position by major category:



The decrease in net position of $1,163.0 million in fiscal year 2018 included the following changes:

- Net investment in capital assets increased $124.8 million. This change was due to a net increase in capital assets of $195.2 million, reduced by a net increase of $70.4 million in capital-related debt.

- Restricted nonexpendable increased $0.5 million due to additions to permanent endowments received during fiscal year 2018 combined with unrealized gains on endowment investments.

- Restricted expendable increased $43.6 million as follows:

  - Restricted expendable under capital projects increased $45.3 million due to a higher amount of unspent bond proceeds at year-end for the 2018 Series A General Obligation and Special Obligation Student Fee Revenue Bonds. In addition, the University transferred $10.0 million from unrestricted sources to the Renewal and Replacement Fund.

  - Restricted expendable related to research and scholarships decreased $1.7 million due to lower nonexchange revenues earned on nongovernmental grants offset partially by differences between projected versus actual fringe benefit costs charged on grants, and an increase in state-related contract revenues.

- Unrestricted net position decreased $1,331.9 million. The large decrease was mainly due to the adoption of GASB 75. Similar to pension accounting standards, GASB 75 now requires the University to report its share of the State's net OPEB liability. The University's proportionate share of the State's net pension liability, net OPEB liability, and related deferred inflows and outflows of resources resulted in a $1,287.0 million reduction of unrestricted net position. Lower State appropriation and the $10.0 million transfer of unrestricted funds to the Renewal and Replacement Fund also contributed to the decrease from prior year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The first section of this statement, cash flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from noncash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section reflects cash flows from noncapital financing activities including State appropriation, debt transactions related to affiliate (UConn Health), financial aid, gifts, and other nonoperating revenues and expenses. The third section shows cash flows from capital and related financing activities, capital grants and gifts, and State debt service commitments for principal and interest. The fourth section consists of cash flows from investing activities showing the purchases, proceeds, and interest provided from investing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses, and Changes in Net Position to net cash used in operating activities.

CAPITAL ACTIVITIES

Property and equipment, net of accumulated depreciation and amortization, consisted of the following ($ in millions):

	2018	2017	$ Change	% Change
Land	$ 20.7	$ 20.7	$ -	0.0%
Construction in progress	224.6	404.4	(179.8)	(44.5)%
Art and historical collections	56.0	55.0	1.0	1.8%
Non-structural improvements	153.2	146.1	7.1	4.9%
Buildings and improvements	1,522.3	1,174.7	347.6	29.6%
Intangible assets	20.2	11.5	8.7	75.7%
Library materials	6.6	7.9	(1.3)	(16.5)%
Equipment	95.7	83.8	11.9	14.2%
Total Property and Equipment, Net	$ 2,099.3	$ 1,904.1	$ 195.2	10.3%

- Construction in progress decreased $179.8 million as projects including the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, and the Hartford Relocation Acquisition and Renovation were transferred from construction in progress to non-structural improvements and buildings and improvements. Transfers were offset by ongoing construction on the Recreation Center, Gant Building STEM Renovations, North Eagleville Road Area Infrastructure Phase III, Northwest Science Quad Infrastructure Phase I, and other projects.

- Art and historical collections increased by $1.0 million, representing additions in fiscal year 2018.

- Non-structural improvements increased by $7.1 million. Additions totaling $16.0 million included Avery Point Utility Relocation, Main Water Line Replacement Phase II, the Tech Park Parking Lot, and other projects. These additions were offset by depreciation expense of $8.9 million.

- Buildings and improvements increased by $347.6 million. Additions of $423.2 million included the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, the Hartford Relocation Acquisition and Renovation, the Gampel Pavilion Dome Ceiling and Roof Repair, and other renovation projects. These additions were offset by depreciation expense of $75.1 million and net disposals of $544,000.

- Intangible assets increased by $8.7 million. Additions of $13.5 million included long-term software licensing commitments, Hartford Public Library access rights, costs associated with the HuskyBuy procurement system, and other software implementations offset by amortization expense of $4.8 million.

- Library materials decreased by $1.3 million. Additions of approximately $520,000 were offset by $1.8 million in depreciation expense.

- Equipment increased by $11.9 million. Additions of $30.9 million were offset by depreciation expense and net asset disposals of $19.0 million.

- Subsequent to year-end, the University sold the West Hartford campus property that includes buildings and real property to a third party buyer in exchange for $5.2 million. In addition, the University's Board of Trustees authorized the sale of the Nathan Hale Inn to a third party buyer in exchange for $8.3 million. The final closing on the sale is anticipated in May 2019.

See also Note 4 in the financial statements for details related to capital activities.

DEBT ACTIVITIES

The University issues general obligation bonds in its own name for a special capital improvement program (UCONN 2000) designed to modernize and expand the physical plant of the University. As amended, the program provides for a capital budget in three phases for the University and UConn Health, with an estimated total cost of $4.6 billion. In fiscal year 2018, the Governor deferred $334.1 million in UCONN 2000 authorizations and extended the program three years to 2027.

The State has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt. As the general obligation debt is incurred, the commitment from the State is recorded as a current and noncurrent receivable in the Statement of Net Position.

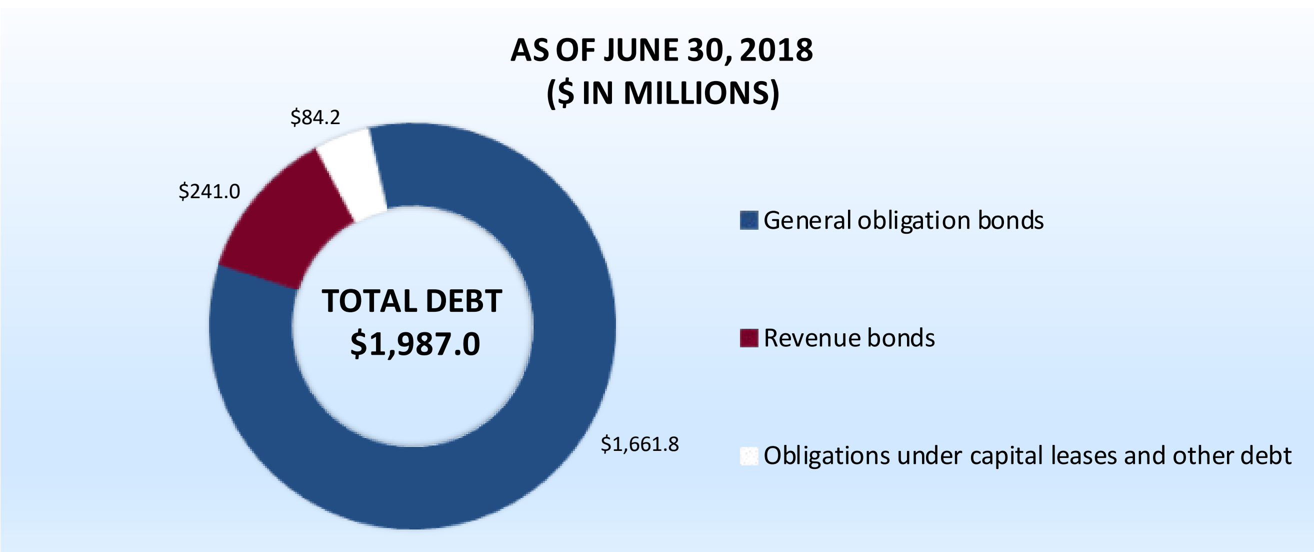
In fiscal year 2018, the University issued UCONN 2000 general obligation bonds with a face value of $276.1 million, of which $88.8 million was committed to UConn Health for its UCONN 2000 projects.

Revenue bonds noted in the graph below relate to Special Obligation Student Fee Revenue Bonds, which are secured by certain pledged revenues. In fiscal year 2018, the University issued Special Obligation Student Fee Revenue Bonds with a face value of $141.7 million to fund construction and infrastructure of the student recreation center and athletic stadia.

Obligations under capital leases include a lease purchase agreement to finance the UCONN 2000 Cogeneration Facility. In addition, in fiscal year 2018, the University entered into a sublease agreement to provide student housing at the Stamford campus. The University recorded a liability of $47.0 million representing the principal portion of future lease payments under the sublease agreement.

See also Note 6 in the financial statements for details related to debt activities.

The following graph illustrates total debt by category, exclusive of premiums and discounts:



ECONOMIC OUTLOOK

The University faces an uncertain and complex financial future as it balances reductions in State support and rising costs with protecting its academic mission. In June 2018, the University's Board of Trustees approved an annual budget of $1.4 billion for the fiscal year 2019. The fiscal year 2019 budget places more reliance on tuition and fee revenue than any other source at nearly 31 percent, greater than State support at 25 percent. State support includes the General Fund appropriation and payment for a portion of fringe benefits. Fringe benefit costs are anticipated to increase, representing over 20 percent of the University's operating budget. Although the fringe portion of State appropriation has increased over the last 10 years, the University's share of the costs has increased at a much higher rate.

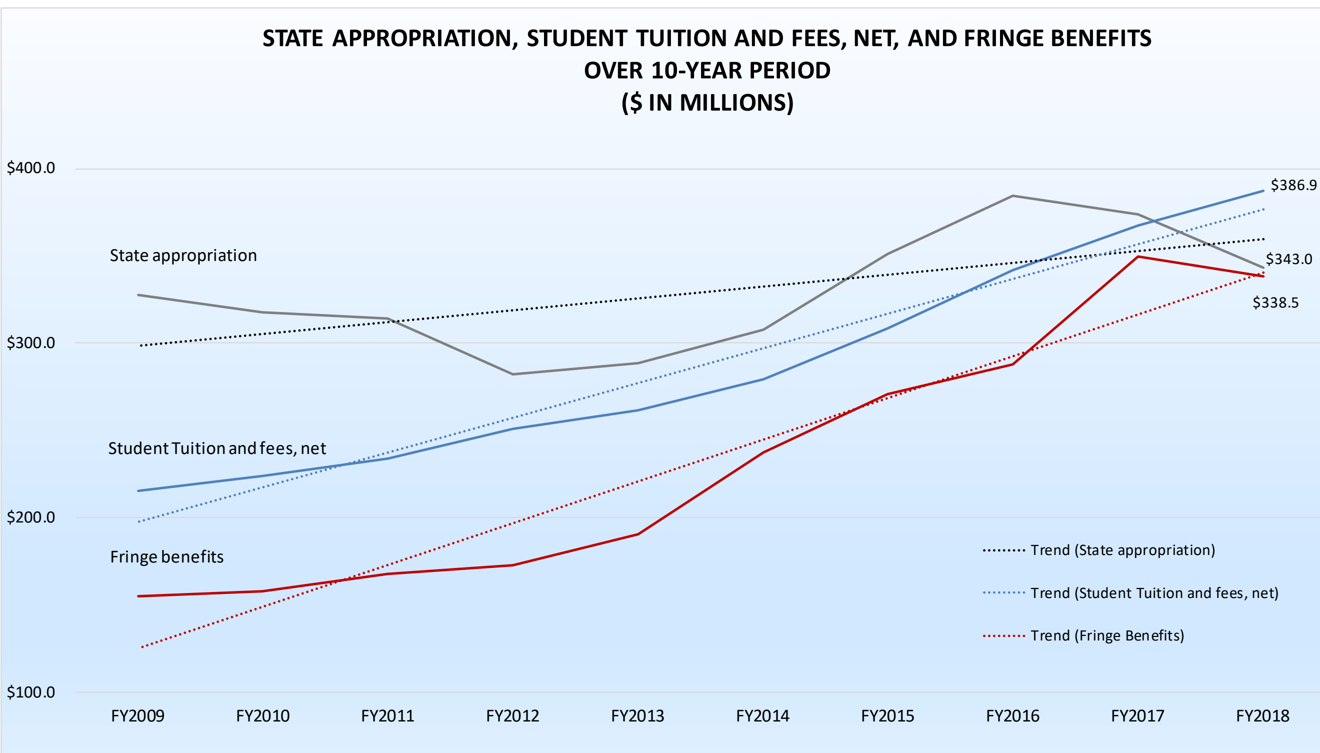
The University has successfully absorbed major reductions in State support and increases in fringe costs over the last several years through spending rescissions, salary freezes, and increasing tuition and fees. In fiscal year 2019, the University seeks to increase revenues, improve efficiencies in operations, and control costs in order to balance the fiscal budget. Revenue increases consist of higher tuition and fee revenue achieved through more students, flexibility in residency mix, and higher rates already approved in the current four-year tuition plan. Improving operational efficiencies include consolidating administrative functions. For example, the University and UConn Health are working together to combine areas for efficiencies where possible, such as procurement, public safety, and others. Cost control measures include hiring restrictions and implementing University-wide spending cuts.

The fiscal year 2019 budget also includes an increase in financial aid to $183.9 million to assist students and to demonstrate the University's commitment to affordability even in difficult budget times.

The budget for the next two years following fiscal year 2019 projects substantial deficits. Mandatory raises for unionized employees and rising fringe benefit costs due to the State's unfunded pension and OPEB liabilities are driving these shortages. To mitigate these costs, one or more strategies may be considered, such as tuition increases beyond the adopted four-year plan, hiring freezes, and further departmental restructurings.

Despite fiscal challenges, the University will continue to contribute to the State's economy, through innovation by leveraging research grants and educating the State's workforce by improving student success. Currently, the University contributes $3.4 billion annually to the State's economy and is responsible for one out of every 90 jobs in the State. In recent years, the University has made significant gains and improved academic quality on every metric. The University's overall goals are to maintain and enhance academic excellence whenever possible and deliver a high standard of service to students and citizens of the State.

The following table shows trends over the last 10 years since fiscal year 2009 for student tuition and fees, net of scholarship allowances, State appropriation, and fringe benefit costs.



UNIVERSITY OF CONNECTICUT
STATEMENT OF NET POSITION
As of June 30, 2018

($ in thousands)

	2018
ASSETS	
Current Assets	
Cash and cash equivalents	$ 347,312
Accounts receivable, net	51,823
Student loans receivable, net	2,326
Due from State of Connecticut	64,650
Due from affiliate (Note 1)	8,302
State debt service commitment	155,987
Deposits with bond trustee	357,914
Prepaid expenses and other assets	7,579
Total Current Assets	995,893
Noncurrent Assets	
Investments	15,833
Student loans receivable, net	8,924
State debt service commitment	1,532,775
Property and equipment, net	2,099,316
Total Noncurrent Assets	3,656,848
Total Assets	4,652,741
DEFERRED OUTFLOWS OF RESOURCES	383,869
LIABILITIES	
Current Liabilities	
Accounts payable	95,860
Unearned revenue	38,454
Deposits held for others	1,705
Federal refundable loans	2,199
Wages payable	69,039
Compensated absences	23,085
Due to State of Connecticut	35,966
Due to affiliate (Note 1)	35,385
Current portion of long-term debt and bonds payable	158,727
Other current liabilities	36,618
Total Current Liabilities	497,038
Noncurrent Liabilities	
Compensated absences	20,024
Long-term debt and bonds payable	2,057,454
Federal refundable loans	9,636
Net pension liabilities	1,012,709
Net other post-employment benefits liability	1,283,941
Other liabilities	8,228
Total Noncurrent Liabilities	4,391,992
Total Liabilities	4,889,030
DEFERRED INFLOWS OF RESOURCES	67,352
NET POSITION	
Net investment in capital assets	1,682,317
Restricted nonexpendable	15,044
Restricted expendable	
Research, instruction, scholarships, and other	32,273
Loans	2,566
Capital projects and debt service	134,453
Unrestricted	(1,786,425)
Total Net Position	$ 80,228

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

($ in thousands)

	2018
OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $156,962	$ 386,921
Federal grants and contracts	106,561
State and local grants and contracts	19,441
Nongovernmental grants and contracts	18,386
Sales and services of educational departments	23,708
Sales and services of auxiliary enterprises, net of scholarship allowances of $6,495	210,990
Other sources	14,009
Total Operating Revenues	780,016
OPERATING EXPENSES	
Salaries and wages	569,359
Fringe benefits	338,545
Supplies and other expenses	264,456
Utilities	19,655
Depreciation and amortization	108,185
Scholarships and fellowships	8,870
Total Operating Expenses	1,309,070
Operating Loss	(529,054)
NONOPERATING REVENUES (EXPENSES)	
State appropriation	342,987
State debt service commitment for interest	70,740
Federal and state financial aid	37,986
Gifts	19,732
Investment income	6,059
Interest expense	(64,672)
Disposal of property and equipment, net	(1,524)
Other nonoperating expenses, net	(2,475)
Net Nonoperating Revenues	408,833
Loss Before Other Changes in Net Position	(120,221)
OTHER CHANGES IN NET POSITION	
State debt service commitment for principal	187,269
Capital grants and gifts	5,099
Additions to permanent endowments	338
Net Other Changes in Net Position	192,706
Increase in Net Position	72,485
NET POSITION	
Net Position – Beginning of Year, Adjusted (Note 1)	7,743
Net Position – End of Year	$ 80,228

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

($ in thousands)

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 373,631
Grants and contracts	146,658
Sales and services of auxiliary enterprises	212,509
Sales and services of educational departments	23,033
Payments to suppliers and others	(363,105)
Payments to employees	(555,817)
Payments for benefits	(273,157)
Loans issued to students	(828)
Collections of loans to students	2,206
Other receipts, net	14,887
Net Cash Used in Operating Activities	(419,983)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	336,660
Proceeds from bonds related to affiliate	88,806
State debt service commitment related to affiliate	58,952
Principal paid on debt and bonds payable related to affiliate	(34,321)
Interest paid on debt and bonds payable related to affiliate	(24,631)
Federal and state financial aid	38,032
Gifts	20,821
Other nonoperating expenses, net	(949)
Net Cash Provided from Noncapital Financing Activities	483,370
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from bonds	369,630
State debt service commitment	130,474
Purchases of property and equipment	(264,477)
Proceeds from sale of property and equipment	459
Principal paid on debt and bonds payable	(97,337)
Interest paid on debt and bonds payable	(53,275)
Capital allocation	38,802
Capital grants and gifts	1,767
Net Cash Provided from Capital Financing Activities	126,043
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	(609)
Interest on investments	5,515
Deposit with bond trustee	(215,496)
Net Cash Used in Investing Activities	(210,590)
DECREASE IN CASH AND CASH EQUIVALENTS	(21,160)
BEGINNING CASH AND CASH EQUIVALENTS	368,472
ENDING CASH AND CASH EQUIVALENTS	$ 347,312

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2018

($ in thousands)

		2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$	(529,054)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided from (Used in) Operating Activities:		
Depreciation and amortization expense		108,185
Property and equipment		(917)
In-kind workers' compensation		622
Changes in Assets and Liabilities:		
Receivables, net		3,195
Prepaid expenses and other assets		43
Accounts payable, wages payable, and compensated absences		19,699
Unearned revenue		(8,030)
Deposits		152
Due from (to) State of Connecticut, net		7,231
Due from (to) affiliate, net		(80,558)
Deferred outflows (inflows)		174,584
Net pension and net other post-employment benefits liabilities		(119,575)
Other liabilities		2,878
Federal refundable loans		1,562
Net Cash Used in Operating Activities	$	(419,983)

ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS		
Capital assets acquired under capital lease arrangements	$	47,000
Amortization of premiums, discounts, and net loss on debt refundings		14,666
Acquisition of software licenses under long-term purchase contracts		4,330
Capital assets acquired through gifts		3,010
Unrealized gain on investment		179
Loss on disposal of capital assets		(1,983)

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Period July 1, 2017 through November 10, 2017

($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions and grants	$ -	$ 4	$ 7	$ 11
EXPENSES				
Support Expenses				
Management and general	131	-	-	131
Fundraising	6	-	-	6
Total Support Expenses	137	-	-	137
Changes in Net Assets	(137)	4	7	(126)
Transfer to the University of Connecticut Foundation (Note 1)	(1,599)	(7,391)	(15,037)	(24,027)
Net Assets – Beginning of Period	1,736	7,387	15,030	24,153
Net Assets – End of Period	$ -	$ -	$ -	$ -

See accompanying notes to basic financial statements.

Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut, a comprehensive institution for higher education governed by a 21-member Board of Trustees, serves as the flagship for higher education in the State of Connecticut (State). This institution is composed of programs based in Storrs and at the regional campuses, the School of Law, the School of Social Work, and the University of Connecticut Health Center (UConn Health). UConn Health is a fiscally independent branch, defined in State statute as a healthcare institution, that oversees clinical care, advanced biomedical research, and academic education in medicine. Separate for purposes of audit and financial reporting, UConn Health has its own Board of Directors to whom the Board of Trustees has delegated authority and by State statute is a separate entity for purposes of budgeting, maintaining operating funds, and receiving appropriations from the State. The transactions and balances of UConn Health are not included within this comprehensive annual financial report for the year ended June 30, 2018, and the University of Connecticut (University) is herein defined as all programs except for UConn Health.

In accordance with standards issued by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Legally separate and tax exempt entities shall be presented as component units of the reporting entity if they meet all of the following criteria: the economic resources of the organization are entirely or almost entirely for the direct benefit of the reporting unit; the reporting unit is entitled to access all or a majority of the economic resources received or held by the organization; and the economic resources received or held by the organization are significant to the reporting unit.

The financial operations of the University along with those of UConn Health are reported in the State's comprehensive annual report using the fund structure prescribed by GASB. The State includes the transactions and balances of the University within an enterprise fund under the major business-type activities of the government-wide financial statements, and has noted that State colleges and universities do not possess corporate powers that would distinguish them as being legally separate.

The University of Connecticut Foundation, Inc. (Foundation) is a related, but independent, corporate entity that supports the mission of the University and is also included in the State's annual report. The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health. Although the Foundation materially supports the mission of both the University and UConn Health, displaying the Foundation's financial statements as a component unit of either entity individually would distort its actual contribution or economic benefit to that entity. Therefore, the Foundation is not included as a component unit in the accompanying financial statements, but is included as a component unit of the State.

The University of Connecticut Law School Foundation (Law School Foundation), which was organized for the benefit of the University with economic resources that were only to be used by or for the benefit of the University, is included as a component unit. On March 6, 2017, the Law School Foundation's Board of Trustees unanimously approved the dissolution of the Law School Foundation as of June 30, 2017. Accordingly, all remaining assets, including endowed funds, restricted non-endowed funds, and other investment funds, were distributed to the Foundation in July 2017 to be managed in accordance with all donor restrictions and for the sole benefit of the University's Law School. Operations were concluded and fully discontinued as of November 10, 2017. The Law School Foundation's Statement of Activities for the period beginning July, 1, 2017, through November 10, 2017, is discretely presented in its original format on a separate page of the accompanying financial statements.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP), as prescribed by GASB. The University is considered a special-purpose government engaged in business-type activities, defined by GASB as those activities that are financed in whole or in part by fees charged to external parties for goods or services.

The University's financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, expenses are recognized when incurred, and all significant intra-agency transactions have been eliminated.

Adoption of New Accounting Standards
Effective for the University's fiscal year ended June 30, 2018, GASB issued the following statements that were adopted for this financial report:

- GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses new accounting and financial reporting requirements for post-employment benefits other than pensions provided to state and local government employees. GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other post-employment benefits (OPEB). This statement also requires extensive note disclosure (see Note 10) and required supplementary information (RSI) for defined OPEB plans. As a result of adopting GASB 75, net position and deferred outflows of resources as of July 1, 2017, have been adjusted. The impact of this change is presented in the table below (amounts in thousands):

Net Position, June 30, 2017 (As Reported)	$ 1,243,245
Net OPEB liability	(1,284,855)
Deferred outflows of resources	49,353
Cumulative effect of applying GASB 75	(1,235,502)
Net Position, July 1, 2017 (Adjusted)	$ 7,743

- GASB Statement No. 81 (GASB 81), *Irrevocable Split-Interest Agreements*, defines split-interest agreements as a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. GASB 81 requires that if the University receives resources pursuant to an irrevocable split-interest agreement, the University shall recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the statement requires that the University recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the University controls the present service capacity of the beneficial interests. GASB 81 also requires that the University recognize revenue when the resources become applicable to the reporting period. There was no significant impact on the accompanying financial statements as a result of adopting this statement.

- GASB Statement No. 86 (GASB 86), *Certain Debt Extinguishment Issues*, addresses accounting and financial reporting for in-substance defeasance of debt where cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for defeased debt. There was no significant impact on the accompanying financial statements as a result of adopting this statement.

Cash Equivalents
The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF) are also considered cash equivalents, with the exception of those classified as restricted balances included in deposits with bond trustee.

Accounts and Student Loans Receivable
Accounts receivable consists of tuition, fees, auxiliary enterprises service fees, and amounts due from state and federal governments for grants and contracts. Student loans receivable consists primarily of amounts due from students under the Federal Perkins Loan Program, which are subject to significant restrictions. The receivable for student loans is classified as current and noncurrent based on the amount estimated to be collected from students within one year and beyond one year, respectively. Accounts and student loans receivable are recorded net of an estimated allowance for doubtful accounts.

Due From State and Due To State
Due from State includes a receivable from the General Fund of the State (General Fund) for payroll, as well as unspent State bond funds designated to the University by the State Bond Commission for specific capital projects.

The State administers employee benefit and retirement plans and charges the University based on an annual fringe benefit cost recovery rate that is applied to employee salaries. The due to State amount consists of fringe benefits accrued in relation to wages payable reported at the fiscal year-end.

Due From Affiliate and Due To Affiliate
Due from affiliate includes receivables from UConn Health resulting from cost-reimbursement arrangements for shared operating activities. Due to affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University. The proceeds are reported net of accruals for capital expenditures and retainage.

State Debt Service Commitment
The State has made a commitment to pay an annual amount of debt service on securities issued as general obligations of the University. As general obligation debt and related interest are incurred, the commitment from the State is recorded as revenue for principal and interest in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. A corresponding receivable is

recorded in the accompanying Statement of Net Position and is classified as current and noncurrent based on debt service payments owed in one year and beyond one year, respectively.

Deposits with Bond Trustee

Tax-exempt bond proceeds are deposited to various accounts held by the Trustee Bank as required by certain trust indentures. The funds are invested and disbursed as directed by the University. The University's bond proceeds investment policy is to balance an appropriate risk-return level heavily weighted towards safety of assets, as defined and permitted under the relative indentures and the General Statutes of Connecticut (State General Statutes).

The University has directed the Trustee Bank to invest UCONN 2000 indenture related construction fund proceeds in STIF. Similarly, the University has directed the Trustee Bank to invest other related funds in dedicated STIF accounts for debt service funds, capitalized interest, and cost of issuance for the Special Obligation Student Fee Revenue Bonds. Additionally, in fiscal year 2018, the University transferred unrestricted funds to a dedicated STIF account in accordance with the Renewal and Replacement Fund Requirement (see Note 2). The Renewal and Replacement Fund Requirement is defined by the Special Obligation Indenture as an amount deemed necessary to maintain assets financed with bond proceeds in sound operating condition.

Investment earnings from UCONN 2000 General Obligation Bond proceeds are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank. Investment earnings from Student Fee Revenue Bonds are part of pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. Earnings on the UCONN 2000 General Obligation Debt Service Commitment Refunding Bonds and the Special Obligation Student Fee Revenue Refunding Redemption Fund escrows form part of the irrevocable escrows that are used by the Trustee Bank to meet debt service payments on defeased bonds until called.

Inventories

Inventories classified as available for resale are included with prepaid expenses and other assets in the accompanying Statement of Net Position and are valued at cost as determined by the first-in, first-out method. Maintenance and custodial supplies, repair parts, and other general supplies used in daily operations are expensed when purchased.

Investments

The University accounts for its investments at fair value, categorized for disclosure purposes within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. The three-level hierarchy of inputs is summarized as follows:

- Level 1 – Quoted prices for identical investments in an active market.
- Level 2 – Inputs other than Level 1 that are observable, such as quoted prices for similar investments in active markets; quoted prices for identical or similar investments in markets that are not active; or inputs other than quoted prices that are observable such as interest rate and yield curves, volatilities, and credit spreads, among others.
- Level 3 – Inputs that are unobservable but supported by the University's or the Foundation's own assumptions, taking into consideration the assumptions that market participants would use in pricing the investment. These inputs are developed based on the best information available under the circumstances.

The net asset value (NAV), or its equivalent, is used to determine the fair value of all investments that do not have a readily determinable fair value. Since they are not readily determinable, the fair values of these investments may differ from the values that would have been used had a ready market for these investments existed.

Changes in the unrealized gain or loss on the carrying value of the University's investments are recorded as nonoperating revenues or expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or, in the case of gifts, at acquisition value. All land is capitalized regardless of cost. Capital projects greater than $100,000 that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance costs are charged to operating expenses in the year incurred. Equipment with a value of $5,000 or more and a useful life of more than one year is capitalized.

Depreciation and amortization expenses are recorded on a straight-line basis over the estimated useful lives of the respective assets:

Non-structural improvements	10 – 50 years
Buildings and building components	6 – 60 years
Intangible assets	3 – 10 years
Library materials	15 years
Equipment	3 – 30 years

Art and historical collections are recognized at their acquisition values and are not depreciated. The Thomas

J. Dodd Research Center at the University maintains historical collections of original source materials used for research and serves as the University's official archive. New items are added to the collection if their acquisition value can be substantiated by an external appraisal.

Most University capital assets are financed through the issuance of general obligation bonds, which are restricted in accordance with State legislation. Additionally, the repayment of interest on these bonds is funded by the State. Therefore, the University generally does not include interest in the cost of the capital assets constructed.

Unearned Revenue

Unearned revenue includes amounts received for services to be rendered in a future accounting period. This amount is composed primarily of student charges (tuition, fees, room, and board) received in advance of the applicable academic period and amounts received from sponsors related to certain restricted research grants that will not be included in revenue until the funds are expended. It also includes advance ticket sales for sporting events and commitments received in advance of the athletic season.

Compensated Absences

Employee vacation, holiday, compensatory, and sick leave are accrued at year-end for financial statement purposes. The liability is included as compensated absences in the accompanying Statement of Net Position and is classified as current and noncurrent based on the amount estimated to be paid to eligible employees in one year and beyond one year, respectively. The related expense is included as an operating expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include (1) the long-term portion of compensated absences, (2) principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, (3) net pension and net OPEB liabilities, (4) the long-term portion of governmental advances for revolving student loan programs required to be returned to the federal government upon cessation of the program, and (5) other liabilities consisting of long-term software commitments and the long-term portion of the University's bookstore service concession arrangement liability.

Net Pension and Net OPEB Liabilities

For purposes of measuring net pension and net OPEB liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the fiduciary net position as well as additions to and deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan member contributions are recognized in the period the contributions are due. Employer contributions are recognized in the period the contributions are appropriated. Benefits and refunds to pension plan members are both recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources

Changes in the net pension and net OPEB liabilities not included in pension or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. The University's contributions to the pension and OPEB plans made subsequent to the measurement date of the net pension and net OPEB liabilities are reported as deferred outflows.

The difference between the reacquisition price and the net carrying amount of refunded bonds is classified as an accumulated net gain or loss in deferred inflows or deferred outflows of resources. Such amounts are amortized as a component of interest expense on a straight-line basis over the life of either the old debt or the new debt, whichever is shorter. The difference between assets and contractual liabilities recorded in connection with a service concession arrangement is also reported as a deferred inflow of resources to be amortized as revenue over the contract term.

Net Position

GASB requires that resources be classified for accounting and reporting purposes into the following categories of net position:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal balances of bonds (net of State debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.

- **Restricted nonexpendable:** Endowment and similar type assets for which donors or outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity. These assets are invested for the purpose of producing present and future income, which may be expended or reinvested in principal.

- **Restricted expendable:** Assets reduced by liabilities and deferred inflows of resources related to those assets that are expendable but where the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets". These assets are not subject to externally imposed stipulations, but they may be subject to internal designations. For example, amounts classified as unrestricted may be assigned to specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. In general, all unrestricted amounts in net position are assigned to support academic and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

The University's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred is based on a variety of factors. These factors include consideration of prior or future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained internally following the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- **Operating revenues and expenses:** Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities, auxiliary enterprises revenue, and other sources of revenue that generally have the characteristics of exchange transactions. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the nonexchange transaction definition is also recognized to the extent expended or, in the case of fixed price contracts, when the contract terms are met or completed. Operating expenses include all expense transactions incurred other than those related to investing or financing, irrespective as to whether the revenues associated with those expenses are classified as operating or nonoperating. These expenses are reported using natural classification, comprehensive of expenses incurred under both educational and general programs and auxiliary enterprises. See also Note 17 for operating expenses presented by functional classification.

- **Nonoperating revenues and expenses:** All other revenues and expenses of the University are reported as nonoperating revenues and expenses including State appropriation, State debt service commitment for interest, federal and state financial aid, noncapital gifts, and investment income. Interest expense and disposal of property and equipment, net, are also reported as nonoperating.

Scholarship Discounts and Allowances

GASB requires that revenues be reported net of scholarship discounts and allowances, representing the difference between the stated charge for goods and services provided by the University and the amount that is ultimately paid by students or on their behalf. Any aid applied directly to student accounts in payment of tuition and fees, housing charges, and dining services is reflected as a scholarship allowance deducted from the University's operating revenues. Scholarships and fellowships expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position includes payments made directly to students.

Component Unit

The Law School Foundation's Statement of Activities included in this report for the final closeout was prepared on the accrual basis of accounting in accordance with GAAP. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the Law School Foundation's net assets and changes therein are classified and reported as follows:

- **Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions. The Law School Foundation's Board of Trustees established a portion of the unrestricted net assets to function as an endowment.

- **Temporarily restricted net assets:** Net assets restricted by the donor as to purpose or time of expenditure. Accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditures are also included in this net asset category.

- **Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that require that the principal be maintained in perpetuity but permit the expenditure of income earned thereon.

NOTE 2. CASH AND CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS

The University's total cash and cash equivalents, deposits, and investments included the following as of June 30, 2018 (amounts in thousands):

	2018
Cash and Cash Equivalents	
Cash maintained by State Treasurer	$ 314,387
Invested in STIF	24,535
Other deposits	8,390
Total Cash and Cash Equivalents	347,312
Deposits with Bond Trustee	
Invested in STIF	354,833
Cash	3,081
Total Deposits with Bond Trustee	357,914
Investments	
Foundation-managed endowments	15,044
POET Technologies, Inc.	320
UConn Innovations Fund, LLC	469
Total Investments	15,833
Total Cash and Cash Equivalents, Deposits, and Investments	$ 721,059

Cash and Cash Equivalents

Collateralized deposits are protected by State General Statute. This statute requires that any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined mainly by the bank's financial condition, which is measured using ratios of leverage, net worth, and risk-based capital. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized. As a State agency, the University benefits from this protection, though the extent to which the deposits of an individual State agency such as the University are protected cannot be readily determined.

The University's cash management investment policy permits the University to invest in STIF, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, bankers' acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts.

STIF is a money market investment pool in which the State, municipal entities, and other 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, asset-backed securities, and student loans. STIF had a Standard and Poor's rating of AAAm and a weighted average maturity of 35 days as of June 30, 2018.

Deposits with Bond Trustee

Deposits of the University include UCONN 2000 bond indenture related funds held by the Trustee Bank at the direction of the University. As of June 30, 2018, deposits with bond trustee included $354.8 million invested in STIF. Of this amount, $10.0 million related to the Renewal and Replacement Fund, an indenture defined account funded with non-bond proceeds. The Trustee Bank's FDIC deposit insurance covers the University's deposits up to $250,000.

Foundation-Managed Endowments

The University designated the Foundation as the manager of the University's endowment funds. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments, the policies and procedures of the University and State General Statutes, and in accordance with the Foundation's endowment spending policy described below.

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with a strategic asset allocation policy for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends as well as realized and unrealized gains and losses, net of management fees.

The Foundation's endowment spending allocation policy adheres to the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity. Therefore, spending can occur from an endowment fund whose fair value is below its historic value as long as the governing body has determined that its policies will continue the perpetual nature of the endowment over time.

An advancement fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. The endowment spending allocation and advancement fee taken together cannot exceed 6.75 percent or fall below 3.00 percent of the quarterly fair value of endowment funds. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

Over the long term, the Foundation expects the current spending allocation and advancement fee policies to allow endowments to grow on average at least at the annualized rate of inflation. This is consistent with the organization's objective of providing resources for the underlying purposes of its endowment assets over the life of the endowments, whether in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

University endowment investments are managed by the Foundation in a pooled portfolio that is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for the pooled investment portfolio, providing that the maximum exposure with any one manager would be 20 percent for actively managed liquid assets and 5 percent for illiquid assets. The Foundation's Board of Directors also established an asset allocation policy for the long-term pooled investment portfolio. The Foundation expects that portfolios will be invested in only the strategies described in the following table, and not above or below the individual strategy percentage and its total percentage by objective, unless otherwise specified by its Board of Directors.

Investment Objectives and Strategies	Allocation Range as Percentage of Market Value
Growth	
Public equity	10% - 60%
Private equity	0% - 25%
Risk Minimizing	
Global fixed income	5% - 30%
Hedge funds – non-directional	0% - 20%
Inflation Hedging	
Real assets	0% - 10%

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds had effective durations of 2.92 years and a Standard and Poor's rating of AAA totaling $1.5 million and a rating of AA totaling $269,000. The University endowment's foreign publicly traded equities totaled $3.5 million as of June 30, 2018. Private capital investments totaled approximately $1.2 million as of June 30, 2018.

Other Investments

Certain investments are also held directly by the University. As of June 30, 2018, the University held 1.5 million shares in POET Technologies, Inc. (POET) that were received in previous years in connection with technology licensing and royalty-related transactions. In addition, the University held an ownership interest in UConn Innovation Fund, LLC as of June 30, 2018 (see Note 15).

The investment in POET is denominated in Canadian dollars and therefore is subject to foreign currency risk. Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuation in the value of the U.S. dollar relative to the foreign currencies.

Funds Held in Trust by Others

Certain other funds are held in trust for investment by outside trustees. The University is designated as the income beneficiary and the funds are not under the direct control of the University. Accordingly, the assets of these funds are not included in the accompanying financial statements. The fair value of these funds was $15.7 million as of June 30, 2018. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the year ended June 30, 2018, was $549,000.

Fair Value Measurement

Certain investments managed by the Foundation are measured at fair value pricing using NAV, or its equivalent. NAVs provided by third-parties have been utilized in determining fair value where there are significant unobservable inputs related to Level 3 assets, as all investments have been made through commingled fund structures with no direct ownership. The Foundation's investment managers utilize outside pricing services and administrators as well as their own internal valuation models in determining and verifying fair values.

The Foundation performs ongoing due diligence with its investment managers that includes evaluation of managers' operations and valuation procedures, site visits, investor calls, and review of manager filings and audited financial statements. The Investment Committee of the Foundation's Board of Directors monitors performance of investment managers and meets formally with managers on a periodic basis in addition to the ongoing due diligence performed by the Foundation investment staff.

The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the investment balance presented in the Statement of Net Position as of June 30, 2018 (amounts in thousands):

	2018				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Foundation-Managed Investments					
Cash and cash equivalents	$ 834	$ -	$ -	$ -	$ 834
Fixed income securities					
Corporate investment grade	1,719	-	-	-	1,719
Equity securities					
Domestic	9,247	-	-	-	9,247
Foreign	609	-	-	-	609
Private capital					
Buyout and venture capital	-	-	-	509	509
Debt	-	-	-	163	163
Royalties	-	-	-	492	492
Long and short equities	-	-	-	1	1
Private real estate	-	-	-	66	66
Private natural resources	-	-	-	526	526
Relative value	-	-	-	878	878
Total Foundation-Managed Investments	12,409	-	-	2,635	15,044
University-Held Investments					
Equity securities – foreign	320	-	-	-	320
Other	-	-	-	469	469
Total University-Held Investments	320	-	-	469	789
Total Investments	$ 12,729	$ -	$ -	$ 3,104	$ 15,833

The following table provides additional information relating to investments with fair values derived either from observable market transactions other than quoted market prices or from unobservable inputs as of the fiscal year ended June 30, 2018 (amounts in thousands):

	2018				
Investment Strategy	**Fair Value**	**Unfunded Commitments**	**Remaining Life**	**Redemption Terms**	**Redemption Restrictions**
Private capital partnerships including venture, buyout, distressed in the U.S. and international, and other	$ 1,632	$ 219	Less than 1 to 12 years	Not applicable	Not redeemable
Private real estate partnerships in commercial, residential, office, and industrial properties	66	39	1 to 8 years	Not applicable	Not redeemable
Natural resource partnerships in energy and timber	526	86	13 years	Not applicable	Not redeemable
Total	$ 2,224	$ 344			

NOTE 3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

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

	2018
Grants and contracts	$ 34,572
Student and general	22,471
Investment income	1,325
Allowance for doubtful accounts	(6,545)
Total Accounts Receivable, Net	$ 51,823

The University participated in the U.S. Department of Education Federal Direct Lending Program during fiscal year 2018 and distributed student loans through this program of $168.3 million. These distributions and related funding are not reflected as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements. The excess of direct loans distributed over funding received from the U.S. Department of Education as of June 30, 2018, was $664,000; this amount was included as a receivable under grants and contracts.

The University reported student loans receivable of $11.3 million as of June 30, 2018. Student loans receivable are substantially composed of amounts owed from students under the U.S. Department of Education Federal Perkins Loan Program and are reported separately from accounts receivable in the accompanying Statement of Net Position. The 2018 amount is reported net of an allowance for doubtful accounts of $943,000. See Note 7 for information regarding the closeout of the Federal Perkins Loan Program.

NOTE 4. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the year ended June 30, 2018 (amounts in thousands):

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land	$ 20,679	$ -	$ (1)	$ -	$ 20,678
Construction in progress	404,388	106,462	-	(286,279)	224,571
Art and historical collections	54,983	1,059	(20)	(11)	56,011
Total Capital Assets Not Being Depreciated	480,050	107,521	(21)	(286,290)	301,260
Depreciable Capital Assets					
Non-structural improvements	296,767	5,817	-	10,149	312,733
Buildings and improvements	2,154,419	154,929	(1,253)	268,221	2,576,316
Intangible assets	31,972	8,152	(384)	5,418	45,158
Library materials	82,312	520	(28,612)	11	54,231
Equipment	260,510	28,456	(12,729)	2,491	278,728
Total Depreciable Capital Assets	2,825,980	197,874	(42,978)	286,290	3,267,166
Less Accumulated Depreciation					
Non-structural improvements	150,687	8,892	-	-	159,579
Buildings and improvements	979,675	75,080	(709)	-	1,054,046
Intangible assets	20,504	4,755	(379)	-	24,880
Library materials	74,385	1,804	(28,612)	-	47,577
Equipment	176,691	17,654	(11,317)	-	183,028
Total Accumulated Depreciation	1,401,942	108,185	(41,017)	-	1,469,110
Depreciable Capital Assets, Net	1,424,038	89,689	(1,961)	286,290	1,798,056
Property and Equipment, Net	$ 1,904,088	$ 197,210	$ (1,982)	$ -	$ 2,099,316

In September 2018, the University's Board of Trustees authorized the sale of the Nathan Hale Inn to a third party buyer for $8.3 million, and a ground lease for the land on which the hotel is situated. The final closing, transfer of title, and lease commencement are anticipated to occur in May 2019.

In October 2018, the University sold the West Hartford campus property to a third-party buyer. As part of the purchase and sale agreement, the University transferred buildings and real property (land, improvements, and easements) in exchange for $5.2 million. In addition, the State and the University are released from any claims relating to the physical or environmental conditions of the property.

NOTE 5. UNEARNED REVENUE

As of June 30, 2018, unearned revenue included the following (amounts in thousands):

	2018
Tuition, fees, and other student charges	$ 21,247
Amounts received from grant sponsors	12,458
Athletic tickets, commitments, and other	4,749
Total Unearned Revenue	$ 38,454

NOTE 6. LONG-TERM DEBT AND BONDS PAYABLE

Public Act (PA) No. 95-230 enabled the University to borrow money in its own name for a special 10-year capital improvement program designed to modernize, rehabilitate, and expand the physical plant of the University (UCONN 2000). It authorized projects for Phases I and II of UCONN 2000, estimated to cost $1,250.0 million, of which $962.0 million was to be financed by bonds of the University; $18.0 million was to be funded by State General Obligation Bonds; and the balance of $270.0 million was to be financed by gifts, other revenue, or borrowing resources of the University.

In fiscal year 2002, the General Assembly of the State of Connecticut (General Assembly) enacted and the Governor signed into law PA No. 02-3, *An Act Concerning 21st Century UConn* (Act). The Act authorized additional projects for the University and UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.

The Act, as amended by PA No. 10-104 and 11-75, authorized projects under Phase III at a total estimated cost of $1,818.3 million, of which $1,769.9 million was financed by bonds of the University secured by the State's debt service commitment. The remaining $48.4 million was financed by the University's issuance of special obligation bonds, from gifts and other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings.

In June 2013, the General Assembly enacted and the Governor signed into law PA No. 13-233, *An Act Concerning Next Generation Connecticut*, an extension of Phase III that authorized additional projects, increased the cost of certain projects, increased the authorized bond funding secured by the State's debt service commitment by $1,551.0 million, and extended UCONN 2000 for an additional six fiscal years to 2024. In fiscal year 2018, the Governor deferred $334.1 million in UCONN 2000 authorizations and extended the program three years to 2027.

The total estimated cost for Phases I, II, and III under UCONN 2000 is $4,619.3 million.

The University issues general obligation bonds to finance UCONN 2000 projects. The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds are deposited into irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State debt service commitment. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State debt service commitment for the payment of the bonds and, accordingly, is not planning to budget any revenues for the payment of these bonds. Under the Master Indenture, the University expects to issue additional bonds to finance UCONN 2000 projects secured by the State debt service commitment.

In May 2018, the University issued 2018 Series A General Obligation Bonds at a face value of $276.1 million. The total bonds were issued at a premium of $25.6 million. Total net proceeds realized from the 2018 Series A bonds were $300.0 million after the payment of issuance costs and underwriter fees. Of this amount, $88.8 million was allocated to finance projects at UConn Health.

As general obligation bonds are issued, nonoperating revenue for State debt service commitment for principal is recognized at face value less any refunded debt and amounts set aside to finance UConn Health projects. For the year ended June 30, 2018, total State debt service commitment for principal recognized was $187.3 million. The portion of proceeds allocated to UConn Health is recorded as due to affiliate in the accompanying Statement of Net Position. As of June 30, 2018, the unspent portion of this balance was $35.4 million. In addition, nonoperating revenue for State debt service commitment for interest on general obligation bonds of $70.7 million was recognized for the year ended June 30, 2018, of which approximately $24.8 million was associated with UConn Health projects. As of June 30, 2018, approximately $647.4 million of the total general obligation bonds outstanding, net of premiums and discounts, pertained to proceeds used to finance UConn Health projects.

In addition to general obligation bonds, the University may issue special obligation bonds, also called Student Fee Revenue Bonds which are backed by certain pledged revenues of the University.

In March 2018, the University issued the 2018 Series A Special Obligation Student Fee Revenue Bonds at a face value of $141.7 million to fund construction and infrastructure of the student recreation center and athletic stadia. The total bonds were issued at a premium of $16.7 million. Total net proceeds realized from the 2018 bonds were $157.2 million less issuance costs and underwriter fees. Total net proceeds included capitalized interest of $5.2 million to fund interest payments prior to the receipt of pledged revenues during the construction period.

Special obligation bonds are secured by certain pledged revenues as defined in the indenture. In fiscal year 2018, this consisted of gross and net revenue amounts of approximately $94.6 million. Gross pledged revenues include the Infrastructure Maintenance Fee, the General University Fee, and other revenue. Other revenue consists of the FIT (Facilities Investment Together) surcharge on athletic ticket sales plus investment income on the bond accounts held by the Trustee Bank. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed and before depreciation expense is deducted. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt. The University has covenanted to collect, in each fiscal year, fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in each respective fiscal year for its special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2018, was $402.7 million. The total amount of $6.7 million for the principal and $4.9 million for the interest was paid on this debt from pledged revenues in fiscal year 2018.

Obligations under capital leases include a long-term UCONN 2000 Governmental Lease Purchase Agreement to finance the UCONN 2000 Cogeneration Facility (see Note 8). In addition, in August 2017, the University entered into an agreement to sublease a residential facility for student housing at the Stamford campus (see Note 8).

Unamortized premiums and discounts are recorded as additions or reductions to the face value of bonds payable. These amounts are amortized using the straight-line basis over the life of the bonds, reducing interest expense for premiums and increasing it for discounts.

Long-term debt activity for the year ended June 30, 2018, was as follows (amounts in thousands):

	Balance July 1, 2017	**Additions**	**Retirements**	**Balance June 30, 2018**	**Current Portion**
General obligation bonds	$ 1,504,995	$ 276,075	$ (119,285)	$ 1,661,785	$ 129,010
Revenue bonds	105,955	141,725	(6,700)	240,980	7,535
Installment loans	117	-	(55)	62	37
Obligations under capital leases					
Cogeneration Facility	42,818	-	(4,623)	38,195	4,729
Stamford residential facility	-	47,000	(996)	46,004	874
Total Long-Term Debt	1,653,885	464,800	(131,659)	1,987,026	142,185
Premiums and discounts	201,858	42,339	(15,042)	229,155	16,542
Total Long-Term Debt, Net	$ 1,855,743	$ 507,139	$ (146,701)	$ 2,216,181	$ 158,727

Long-term debt outstanding as of June 30, 2018, consisted of the following (amounts in thousands):

Type of Debt and Issue Date	Original Amount	Maturity Dates Through Fiscal Year	Interest Rate*	2018 Balance
Bonds				
GO 2009 Series A	$ 144,855	2029	3.0-5.0%	$ 79,410
GO 2010 Series A	97,115	2030	3.0-5.0%	58,255
GO 2010 Refunding Series A	36,095	2021	2.25-5.0%	11,450
GO 2011 Series A	179,730	2031	3.515-5.0%	116,805
GO 2011 Refunding Series A	31,905	2023	2.0-5.0%	17,340
GO 2013 Series A	172,660	2034	2.0-5.0%	138,125
GO 2013 Refunding Series A	51,250	2024	2.0-5.0%	38,930
GO 2014 Series A	109,050	2034	2.0-5.0%	87,235
GO 2014 Refunding Series A	92,940	2025	2.0-5.0%	9,675
GO 2015 Series A	220,165	2035	1.0-5.0%	187,145
GO 2015 Refunding Series A	34,625	2026	4.0-5.0%	27,620
GO 2016 Series A	261,510	2036	3.0-5.0%	235,350
GO 2016 Refunding Series A	80,425	2027	4.0-5.0%	53,380
GO 2017 Series A	311,200	2037	2.5-5.0%	295,640
GO 2017 Refunding Series A	33,950	2022	2.5-5.0%	29,350
GO 2018 Series A	276,075	2038	3.0-5.0%	276,075
Total General Obligation Bonds	2,133,550			1,661,785
Rev 2010 Refunding Series A	47,545	2028	3.0-5.0%	25,075
Rev 2012 Refunding Series A	87,980	2030	1.5-5.0%	74,180
Rev 2018 Series A	141,725	2047	3.0-5.25%	141,725
Total Revenue Bonds	277,250			240,980
Total Bonds	2,410,800			1,902,765
Loans and Other Debt				
Installment loans	246	various	1.31-1.40%	62
Obligations under capital leases				
Cogeneration Facility	81,900	2026	2.22%	38,195
Stamford residential facility	47,000	2042	2.62%	46,004
Total Loans and Other Debt	129,146			84,261
Total Bonds, Loans, and Other Debt	$2,539,946			1,987,026
Add: premiums and discounts				229,155
Total Bonds, Loans, and Installment Purchases, Net				2,216,181
Less: current portion, net				158,727
Total Noncurrent Portion, Net				$2,057,454

**For bonds, the weighted average coupon rates are averaged by year of redemption.*

Long-term debt, including general obligation bonds, revenue bonds, and loans, is scheduled to mature in the following fiscal years as of June 30 (amounts in thousands):

	General Obligation Bonds			Long-Term Debt Other Than General Obligation Bonds			Total Obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	$ 129,010	$ 78,230	$ 207,240	$ 13,175	$ 13,388	$ 26,563	$ 142,185	$ 91,618	$ 233,803
2020	123,235	72,890	196,125	15,917	12,995	28,912	139,152	85,885	225,037
2021	118,240	67,178	185,418	16,049	12,409	28,458	134,289	79,587	213,876
2022	112,995	61,623	174,618	16,679	11,807	28,486	129,674	73,430	203,104
2023	109,150	56,240	165,390	16,590	11,188	27,778	125,740	67,428	193,168
2024-2028	480,950	205,744	686,694	79,947	45,746	125,693	560,897	251,490	812,387
2029-2033	381,645	96,863	478,508	46,622	30,842	77,464	428,267	127,705	555,972
2034-2038	206,560	21,782	228,342	36,742	23,397	60,139	243,302	45,179	288,481
2039-2043	-	-	-	43,290	15,168	58,458	43,290	15,168	58,458
2044-2048	-	-	-	40,230	5,492	45,722	40,230	5,492	45,722
Total	$ 1,661,785	$ 660,550	$ 2,322,335	$ 325,241	$ 182,432	$ 507,673	$ 1,987,026	$ 842,982	$ 2,830,008

NOTE 7. OTHER LONG-TERM LIABILITIES

Long-term liability activity other than debt and bonds payable for the year ended June 30, 2018, was as follows (amounts in thousands):

	(Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Compensated absences	$ 36,283	$ 10,142	$ (3,316)	$ 43,109	$ 23,085
Federal refundable loans	11,906	-	(71)	11,835	2,199
Net pension liabilities	1,131,370	13,528	(132,189)	1,012,709	-
Net OPEB liability	1,284,855	90,495	(91,409)	1,283,941	-
Other liabilities					
Long-term software commitments	-	5,053	(723)	4,330	744
Service concession arrangement	6,217	-	(791)	5,426	784
Total Other Long-Term Liabilities	$ 2,470,631	$ 119,218	$ (228,499)	$ 2,361,350	$ 26,812

Beginning balances as of July 1, 2017, shown in the table above, were restated due to the adoption of GASB 75 and the reclassification of the service concession arrangement liability from current to noncurrent. See Note 11 for more information on the service concession arrangement.

The federal refundable loans include the federal liability for the Federal Perkins Loan Program that expired September 30, 2017. No new disbursements were permitted under the program after June 30, 2018. As part of the closeout of the Federal Perkins Loan Program, the University opted to continue to service outstanding loans, assign defaulted loans, and return the federal portion of the program's total cash on hand annually starting in fiscal year 2019. Accordingly, $2.2 million was recorded as the current portion of the federal refundable loans balance payable to the federal government within one year as of June 30, 2018.

NOTE 8. LEASES

Capital Leases

In December 2003, the University entered into a 20-year lease purchase agreement for a project to provide on-site generation of electricity, steam, and chilled water for heating and cooling at the University's Storrs campus. The project initially assumed a total cost of $75.0 million and included construction of a building and the engineering, design, and installation of certain equipment to establish the Cogeneration Facility. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to $81.9 million. After another amendment, the remaining monthly payments decreased from $517,000 to $482,000 beginning August 2013 and the original lease term did not change. In November 2016, the lease was amended again to reflect a new nominal rate, decreasing monthly payments to $462,000 beginning January 2017. Amounts advanced by the lessor include capitalized interest during construction and are reflected as long-term debt in the accompanying Statement of Net Position. At the completion of the lease term, the University has an option to purchase the project assets for one dollar. The historical cost and accumulated depreciation of the Cogeneration Facility were $82.6 million and $43.0 million, respectively, as of June 30, 2018.

On August 1, 2017, the University entered into a 25-year master sublease agreement for 116 apartment units at 900 Washington Boulevard in Stamford. The apartments serve as the University's residential facility for the Stamford campus. The University will have options to purchase the property on each tenth anniversary of the term, and a right of first refusal if the lessor receives a bona-fide offer to buy the property. Lease payments for the first year of the master sublease total $2.7 million, and increase by 1.9 percent annually. The historical cost and accumulated depreciation of the Stamford residential facility were $47.1 million and $946,000, respectively, as of June 30, 2018.

Equipment financed by capital leases had a historical cost and accumulated depreciation of $159,000 and $38,000, respectively, as of June 30, 2018.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position, and depreciation on these assets is included in depreciation and amortization expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see Note 4). Loans related to these capital lease agreements are included in long-term debt and bonds payable in the accompanying Statement of Net Position (see Note 6).

Operating Leases

The University has leases related to equipment and building space that expire at various dates. Future minimum rental payments at June 30, 2018, under non-cancellable operating leases that exceeded $500,000 each were as follows (amounts in thousands):

Fiscal Year	Payments
2019	$ 3,805
2020	3,848
2021	3,891
2022	3,878
2023	3,368
Thereafter	15,575
Total	$ 34,365

Expenses related to operating lease commitments in excess of $500,000 each were approximately $3.6 million for the fiscal year ended June 30, 2018.

NOTE 9. RETIREMENT PLANS

State Retirement Systems

The University sponsors two defined-benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS). SERS and TRS do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Comprehensive Annual Financial Report (CAFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov.

Effective July 1, 2017, the State legislature approved the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement, which amended certain provisions under collective bargaining agreements for existing SERS plans by revising certain factors including employee contribution rates, annual cost-of-living adjustments (COLAs) for plan members retiring after July 1, 2022, and disability retirement requirements. In addition, the agreement implemented the new Tier IV Hybrid Plan for the State's employees hired on or after the effective date.

Plan descriptions. SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. Approximately 50 percent of the University's eligible employees participate in SERS, which is administered by the State Comptroller's Retirement Division under the direction of the State Employees' Retirement Commission. As of June 30, 2018, SERS consists of six plans: Tier I, Tier II, Tier IIA, Tier III, Tier IV Hybrid, and the Hybrid Plan.

TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with the University and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State legislature, and is administered by the Teachers' Retirement Board.

Benefits provided. SERS provides retirement, disability, and death benefits along with COLAs to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula that takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes. The details on plan benefits for the Tier IV Hybrid Plan, revised COLAs for plan members retiring on or after July 1, 2022, and revised disability retirement requirements are described in the SEBAC 2017 agreement.

TRS also provides retirement, disability, and death benefits along with annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

Contributions. SERS contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. In accordance with the SEBAC 2017 agreement, employee contribution rates for existing SERS plans will increase by two percent over a three-year period. Employee contribution rates increased by 1.5 percent effective July 1, 2017, and will increase another 0.5 percent effective July 1, 2019. Tier I Plan B regular and Hazardous Duty members are required to contribute 3.5 percent and 5.5 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 6.5 percent above that level; Tier I Plan C members are required to contribute 6.5 percent of their annual salary; Tier II Plan regular and Hazardous Duty members are required to contribute 1.5 percent and 5.5 percent of their annual salary, respectively; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 3.5 percent and 6.5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the Alternate Retirement Plan, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III, but requires employee contributions three percent higher than the contribution required from the applicable Tier II, IIA, or III Plan. The State is required to contribute at an actuarially determined rate.

Individuals hired on or after July 1, 2017, are eligible to become members of the Tier IV Hybrid Plan that includes a defined-benefit and defined-contribution component. Tier IV Hybrid Plan regular and Hazardous Duty members are required to contribute five percent and eight percent of their annual salary, respectively, to the defined-benefit component and one percent of eligible compensation to the defined-contribution component. The State is required to contribute at an actuarially determined rate to the defined-benefit component and one percent of eligible compensation to the defined-contribution component.

TRS contribution requirements are also established and may be amended by the State legislature. Plan members are required to contribute six percent of their annual salary. Employer contributions are funded by the State on behalf of the participating municipal employers, which is considered to be a special funding situation. However, this special funding situation does not apply to the University, an agency of the State, because there is not a separate non-employer contributing entity.

The University contributes to both plans on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. The rates of actual University contributions as a percentage of covered payroll during fiscal year 2018 were 36.8 percent and 25.4 percent for SERS and TRS, respectively. These amounts are expected to finance the costs of benefits earned by employees during the year and any unfunded accrued liability. The University's contributions for fiscal year 2018 were $72.9 million and $304,000 for SERS and TRS, respectively.

Proportionate share of collective net pension liability (NPL) and collective pension expense. The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2016, and rolled forward to the measurement date of June 30, 2017. The University's proportion of the collective NPL was based on the University's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, the University's proportion was 4.78 percent and 0.03 percent for SERS and TRS, respectively, at the measurement date of June 30, 2017. SERS decreased 0.12 of a percentage point from its proportion measured as of June 30, 2016.

The University's proportionate share of the collective NPL at June 30, 2018, and related pension expense for fiscal year 2018 consisted of the following (amounts in thousands):

	SERS	TRS	Total
Proportionate share of collective NPL	$ 1,007,992	$ 4,717	$ 1,012,709
Proportionate share of collective pension expense	$ 95,722	$ 373	$ 96,095

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	SERS	TRS	Total
Deferred Outflows of Resources			
Changes in assumptions	$154,449	$ 546	$154,995
Changes in proportion and differences between University contributions and proportionate share of contributions	67,686	16	67,702
Net differences between projected and actual earnings on pension plan investments	-	64	64
University contributions subsequent to the measurement date	72,898	304	73,202
Difference between expected and actual experience	24,064	-	24,064
Total Deferred Outflows	$319,097	$ 930	$320,027
Deferred Inflows of Resources			
Changes in proportion and differences between University contributions and proportionate share of contributions	$ 17,497	$ 733	$ 18,230
Net differences between projected and actual earnings on pension plan investments	1,925	-	1,925
Difference between expected and actual experience	-	93	93
Total Deferred Inflows	$ 19,422	$ 826	$ 20,248

The $73.2 million in deferred outflows relating to University contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year	SERS	TRS	Total
2019	$ 75,089	$ (63)	$ 75,026
2020	76,391	11	76,402
2021	53,390	(39)	53,351
2022	24,320	(80)	24,240
2023	(2,413)	(19)	(2,432)
Thereafter	-	(10)	(10)
Total	$ 226,777	$ (200)	$ 226,577

At June 30, 2018, the University reported a payable of $10.3 million within due to State in the accompanying Statement of Net Position for the outstanding amount of pension contributions required for the year ended June 30, 2018.

Actuarial assumptions. The TPL was based on an actuarial study for the period July 1, 2011 – June 30, 2015 for SERS and the period July 1, 2010 – June 30, 2015 for TRS. The TPL was determined by rolling forward the liabilities of an actuarial valuation performed as of June 30, 2016, using the following key actuarial assumptions:

	SERS	TRS
Inflation	2.50%	2.75%
Salary increases, including inflation	3.50% – 19.50%	3.25% – 6.50%
Investment rate of return, net of pension plan investment expense, including inflation	6.90%	8.00%

For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for the period after disability.

TRS mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (five percent for females and eight percent 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.

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 adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2017 measurement date are summarized in the following table for each plan:

	SERS		TRS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large cap U.S. equities	21.0%	5.8%	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%	9.0%	8.3%
Real estate	7.0%	5.1%	7.0%	5.1%
Private equity	11.0%	7.6%	11.0%	7.6%
Alternative investment	8.0%	4.1%	8.0%	4.1%
Fixed income (core)	8.0%	1.3%	7.0%	1.3%
High yield bonds	5.0%	3.9%	5.0%	3.9%
Emerging market bond	4.0%	3.7%	5.0%	3.7%
Inflation linked bonds	5.0%	1.0%	3.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%
Total	100.0%		100.0%	

Discount rate. The discount rate used to measure the TPL was 6.9 percent and 8.0 percent for SERS and TRS, respectively. The projection of cash flows used to determine the discount rates assumed that employee contributions would be made at the current contribution rates and that employer contributions would be made according to actuarially determined amounts in future years. Based on those assumptions, the SERS and TRS pension plans' fiduciary net position were 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 TPL.

Sensitivity analysis. The following table presents the University's proportionate share of the collective NPL calculated using the discount rate of 6.9 percent and 8.0 percent for SERS and TRS, respectively. The table also shows what the University's proportionate share of the collective NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts in thousands).

	1% Decrease	**Current Discount**	**1% Increase**
SERS	$1,165,723	$1,007,992	$ 811,500
TRS	$ 5,904	$ 4,717	$ 3,713

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS and TRS pension plans are available in the State's CAFR for the fiscal year ended June 30, 2017.

Alternate Retirement Plan

The University also sponsors the Alternate Retirement Plan (ARP), a defined-contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

All unclassified employees not already in a pension plan of a constituent unit of the State system of higher education or the central office staff of the Department of Higher Education are eligible to participate in ARP.

The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. In accordance with the SEBAC 2017 agreement, employer contribution rates for participants hired prior to July 1, 2017, will decrease by one percent to seven percent over a three-year period. Employer contribution rates decreased by three-quarters of a percent effective July 1, 2017, with a commensurate increase in employee contributions and will decrease by another one-quarter of a percent effective July 1, 2019, with a commensurate increase in employee contributions. Except for participants who elected the one-time option to remain at the previous employee contribution rate of 5 percent, participants hired prior to July 1, 2017, must contribute 5.75 percent of their eligible compensation and their employer must contribute 7.25 percent of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5 percent or 5 percent of their eligible compensation and their employer must contribute 6.5 percent of eligible compensation. For fiscal year 2018, the University's employer contributions to ARP were $19.6 million.

A participant who retires or experiences severance of employment for any reason other than retirement may elect, by written notice to the ARP administrator, to commence distribution of his or her account after attaining age 55; provided however, that the participant who experiences a severance of employment from State service with less than 5 years of participation may elect, at the time and in the manner prescribed by the ARP administrator, to have his or her entire account paid directly to an eligible retirement plan in a direct rollover prior to attaining age 55. Other ARP provisions are described in Chapter 66 of the State General Statutes, *State Employees Retirement Act*.

Department of Dining Services

The University's Department of Dining Services (DDS) employs 522 full-time staff, of which 60 participate in either SERS or ARP. The remaining 462 are eligible to participate in two other defined-contribution plans: the University of Connecticut, Department of Dining Services Money Purchase Pension Plan (MPPP) or the University of Connecticut, Department of Dining Services 403(b) Retirement Plan (403(b) Retirement Plan). Both plans are administered through a third-party administrator, Pension Consultants, Inc. The fiduciary of the plans has the authority to supervise and control the operation of the plans including the authority to make and amend rules and regulations relating to the administration of the plans.

Under the provisions of MPPP, all employees of DDS with at least 700 hours of service and 12 months of service are eligible to participate. DDS is required to contribute six percent or eight percent of covered compensation for eligible employees, dependent upon hire date, and its employees do not make any contributions to MPPP. Employees are vested after three years of credited service. Any amounts forfeited are used to reduce DDS's contribution. On behalf of MPPP participants, DDS contributed $779,000 to the plan during fiscal year 2018. Forfeitures used to reduce the required contributions were $19,000. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive annuity payments. Other plan provisions can be found in the MPPP document.

Under the provisions of the 403(b) Retirement Plan, all employees who perform services for DDS as common law employees are eligible to participate. For any participant employed on September 1, 1994, or terminated and rehired prior to September 1, 1995, and who has at least 700 hours of service, DDS is required to match 50 percent of the first 4 percent of the employee's contributions. Participants hired after August 31, 1994, do not receive a DDS match. Participant and State matches are both 100 percent vested. On behalf of 403(b) Retirement Plan participants, DDS contributed $18,000 to the plan during fiscal year 2018. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive annuity payments. Other plan provisions can be found in the 403(b) Retirement Plan document.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State provides OPEB benefits to University employees through the State Employee OPEB Plan (SEOP). SEOP does not issue stand-alone financial reports but is reported as a fiduciary fund within the State's CAFR. Financial reports are available on the website of the Office of the State Comptroller.

Plan description. SEOP is a single-employer defined-benefit OPEB plan that covers employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State

Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

Benefits provided. SEOP provides healthcare benefits to eligible retirees and their spouses as well as life insurance benefits to employees when they retire. The State may pay up to 100 percent of the healthcare insurance premium cost for eligible retirees. In addition, the State pays 100 percent of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. Plan benefits, and other plan provisions are described in sections 5-257 and 5-259 of the State General Statutes. Further information regarding plan changes affecting employees retiring on or after October 2, 2017, are described in the SEBAC 2017 agreement.

Contributions. SEOP is primarily funded on a pay-as-you-go basis. 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. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3 percent of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3 percent of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing the required years of service.

Similar to pension, the University contributes to SEOP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. The University's rate of actual contributions as a percentage of covered payroll was 13.4 percent and the total amount contributed to the plan was $60.1 million for the fiscal year ended June 30, 2018.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2016, were due to an increase in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions, and adjustments to future trends were also updated.

At June 30, 2018, the University reported a liability of $1,283.9 million for its proportionate share of the collective net OPEB liability. The University's proportion of the collective NOL was based on the University's share of contributions relative to total contributions made to SEOP. Based on this calculation, the University's proportion was 7.39 percent, which was a decrease of .06 of a percentage point from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of $88.7 million. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	SEOP
Deferred Outflows of Resources	
University contributions subsequent to the measurement date	$ 60,089
Deferred Inflows of Resources	
Changes in assumptions	$ 30,803
Changes in proportion	7,992
Net differences between projected and actual earnings on OPEB plan investments	1,453
Total Deferred Inflows	$ 40,248

The $60.1 million in deferred outflows for contributions subsequent to the measurement date will be included as a reduction of the collective NOL in the reporting year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows (amounts in thousands):

Fiscal Year	**SEOP**
2019	$ (9,140)
2020	(9,140)
2021	(9,140)
2022	(9,141)
2023	(3,687)
Thereafter	-
Total	$ (40,248)

At June 30, 2018, the University reported a payable of $8.5 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SEOP contributions required for the year ended June 30, 2018.

Actuarial assumptions. The TOL was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	SEOP
Payroll growth rate	3.50%
Salary increases	3.25% – 19.50%
Discount rate	3.68%
Healthcare cost trend rates	
Medical[1]	6.50% graded to 4.50% over 4 years
Prescription drug[1]	8.00% graded to 4.50% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

[1]Short-term rates were altered to reflect changes from the SEBAC 2017 agreement.

Demographic assumptions used to determine TOL are the same as those used in the most recent actuarial pension valuations and experience studies included in Note 9 disclosures for defined-benefit pension plans.

The same long-term expected rate of return of 6.9 percent used in the SERS pension valuation was also used in the SEOP valuation. See Note 9, under SERS, for the target allocation and projected arithmetic real return for each major asset class used in the derivation of the long-term expected investment rate of return.

Discount rate. The discount rate changed from 2.96 percent as of June 30, 2016, to 3.68 percent as of June 30, 2017. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.58 percent as of June 30, 2017). The blending is based on sufficiency of projected assets to make projected benefits.

Sensitivity analysis. The following presents the University's proportionate share of the collective NOL and what it would be using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts in thousands):

	Sensitivity of Discount Rate		
	1% Decrease	**Current Discount**	**1% Increase**
SEOP	$1,490,270	$1,283,941	$1,116,770

Also, shown is the University's proportionate share of the collective NOL and what it would be using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	Sensitivity of Healthcare Cost Trends		
	1% Decrease	**Current Trend Rates**	**1% Increase**
SEOP	$1,103,388	$1,283,941	$1,512,677

OPEB plan fiduciary net position. Detailed information about SEOP's fiduciary net position is available in the State's CAFR for the fiscal year ended June 30, 2017.

NOTE 11. SERVICE CONCESSION ARRANGEMENT

In June 2016, the University contracted with Barnes & Noble College Booksellers, Inc. (Barnes & Noble) to manage the University's bookstore facilities for the next 10 years. The University recorded an execution payment for $1.5 million that is amortized over the 10-year period. In March 2017, the contract was amended to include an additional location at the new downtown Hartford campus. For each contract year, Barnes & Noble will pay the University a percentage of commissionable sales as defined by the contract with a minimum annual guarantee of $3.5 million for the first year, $4.5 million for the second contract year, and $1.0 million for the third contract year. The University is obligated to provide bookstore facilities and utilities, including amounts related to leased locations in Storrs Center and Hartford. Barnes & Noble was obligated to invest a minimum of $4.0 million to improve and furnish the bookstore facilities by December 31, 2017.

At June 30, 2018, the University recorded bookstore facilities as capital assets with a carrying amount of $6.6 million and a receivable of $2.9 million, representing June 2018 income and the present value of the installment payments for the third contract year. The University also reported a liability of $5.4 million, representing the present value of the lease obligations and utilities, and a deferred inflow of resources of $6.9 million that will be amortized as revenue over the contract term.

NOTE 12. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2018 (amounts in thousands):

	2018
Deferred Outflows of Resources	
Accumulated loss on debt refundings, net	$ 3,753
Amounts related to net pension liabilities	320,027
Amounts related to net OPEB liability	60,089
Total Deferred Outflows of Resources	$ 383,869
Deferred Inflows of Resources	
Amounts related to service concession arrangement	$ 6,856
Amounts related to net pension liabilities	20,248
Amounts related to net OPEB liability	40,248
Total Deferred Inflows of Resources	$ 67,352

NOTE 13. COMMITMENTS

The University had outstanding commitments, in excess of $500,000 each, of $231.1 million as of June 30, 2018. This amount included $197.5 million related to capital projects for the University and $18.9 million related to UCONN 2000 capital projects that are administered by the University for UConn Health. UCONN 2000 expenditures made on behalf of UConn Health offset the due to affiliate liability in the accompanying Statement of Net Position (see Note 6). In addition to the amounts related to capital outlay, approximately $14.7 million in outstanding commitments related to operating expenses. A portion of the total amount of outstanding commitments was also included within accounts payable in the accompanying Statement of Net Position as of June 30, 2018. See Note 8 for amounts related to operating leases.

NOTE 14. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is also required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This increased tuition and fee revenues and operating expenses by $5.1 million for the fiscal year ended June 30, 2018. The total amount of waivers not reflected in the accompanying financial statements was $61.7 million in fiscal year 2018. Approximately 91 percent of this amount was provided to graduate assistants.

NOTE 15. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of the University's operations. The following related party transactions were deemed significant and material in nature:

UConn Health

The University is responsible for the management of UCONN 2000 funds for UConn Health's construction projects. The unspent portion of these funds was recorded under due to affiliate in the accompanying Statement of Net Position (see Note 6). In addition, the University engaged in certain cost-share arrangements with UConn Health for shared services.

The University and UConn Health have also collaborated to support economic development activities and to achieve successful outcomes for the technology park and Bioscience Connecticut initiatives. In accordance with an annual memorandum of agreement, the University and UConn Health are obligated to provide an equal share of funding for economic development activities. Per the agreement, the University manages the program's budget and UConn Health reimburses the University for the majority of its share of funding obligations. In fiscal year 2018, the University recorded $706,000 of reimbursements from UConn Health for economic development activities during that period.

In addition, the University and UConn Health have entered into an agreement that supports a unified marketing initiative. This agreement leverages the internal staff, resources, and expertise of both entities to provide marketing support. UConn Health has agreed to reimburse the University a baseline sum for marketing services under the agreement. In fiscal year 2018, the University incurred $4.0 million in expenses that were offset in total by reimbursements from UConn Health for its share of marketing support.

In fiscal year 2018, the University and UConn Health entered into an agreement to combine all services and supervision of personnel within the Police Department, Fire Department, Fire Marshall and Building Inspectors Office, Office of Emergency Management, and Communications Center, under the Division of Public Safety headquartered at the Storrs campus. In accordance with an annual memorandum of agreement, the University is fiscally responsible for all public safety costs covered by the agreed-upon budget and UConn Health is obligated to fund approximately half of those costs. In fiscal year

2018, the University recorded $5.0 million of reimbursements from UConn Health for public safety services provided during that period.

The Foundation

The Foundation is a tax-exempt organization supporting the University and UConn Health (see Note 1). The University entered into a written agreement with the Foundation whereby the University agreed to provide financial support to the Foundation through a guaranteed contractual amount and the Foundation agreed to reimburse the University for certain operating expenses incurred on the Foundation's behalf. The terms of the agreement also stipulate that goals, objectives, and financial arrangements are reviewed and agreed upon by both parties on an annual basis. In addition to this agreement, the University provides other services to the Foundation.

The following transactions occurred between the University and the Foundation as of and for the year ended June 30, 2018 (amounts in thousands):

	2018
Total expenses incurred for guaranteed contractual services provided by the Foundation	$ 9,535
Reimbursements from the Foundation for operating expenses	$ 350
Accrued capital and noncapital gift and grant revenue from the Foundation	$ 18,905
Amount receivable from the Foundation*	$ 4,863

**Included in accounts receivable, net, in the accompanying Statement of Net Position.*

The Foundation also has the primary responsibility for alumni engagement activities for the University. The University has granted the Foundation rights to use the Alumni Center building, which is owned by the University, at an annual rental amount of one dollar.

In accordance with the terms of a ground lease between the University and the Foundation, approximately 1.58 acres on which the Foundation building was constructed is leased to the Foundation at an annual rental amount of one dollar. The initial term of the ground lease is 99 years and the Foundation has the right to extend the term of the ground lease for another 99 years. The ground lease provides that, at its expiration or earlier termination, the Foundation shall surrender the premises and title to the building will be transferred to the University.

Effective June 30, 2017, the Law School Foundation's Board of Trustees approved the dissolution of the Law School Foundation and transferred assets and operations to the Foundation (see Note 1).

The State

The University receives funding from the State for capital projects via UCONN 2000 (see Note 6). In addition, the State supports the University's mission primarily via two mechanisms: State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the General Fund. Payments for fringe benefits are made by the State for reimbursements related to salaries expensed from the General Fund.

State appropriation and the provision of payments for fringe benefits for the year ended June 30, 2018, consisted of the following (amounts in thousands):

	2018
General Fund appropriation received from the State	$ 189,031
Payments for fringe benefits received from the State	148,123
Increase of General Fund payroll receivable	5,833
Total Appropriation and Payments for Fringe Benefits from the State	$ 342,987

Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to allocate and approve the issuance of bonds for a variety of projects or purposes. PA No. 11-57, as amended by PA 14-98, authorized $169.5 million of State General Obligation Bonds to create a technology park on the Storrs campus. The State Bond Commission allocated the total $169.5 million to finance the initial design, development costs, equipment purchases, and construction related to the technology park. These bonds are an obligation of the State and therefore are not recorded as a liability by the University. The unspent portion related to these bonds was $19.8 million as of June 30, 2018, and was included as part of due from State in the accompanying Statement of Net Position.

UConn Innovation Fund, LLC

On April 14, 2016, the University entered into an agreement with Connecticut Innovations, Inc. and Webster Bank, N.A. to create an investment fund for the purpose of making investments in early stage technology companies affiliated with the University. Each member commits to contribute $500,000 to the fund during the commitment period that extends to April 2018. In fiscal year 2018, the University paid $250,000 as part of its final capital commitment.

Mansfield Downtown Partnership, Inc.

The Mansfield Downtown Partnership, Inc. (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is composed of the Town of Mansfield, the University, and individual business members and residents. MDP is responsible for organizing the enhancement and revitalization of three of the Town of Mansfield's commercial areas: Downtown Storrs, King Hill Road, and

Four Corners. In accordance with its governing by-laws, members are required to submit annual dues, as determined by the Board of Directors, in lieu of financial support. In fiscal year 2018, the University paid $132,000 in annual membership dues to MDP.

Fraunhofer Center

In September 2018, the University, Fraunhofer USA, and the Connecticut Department of Economic and Community Development (DECD) entered into two inter-related agreements to support the re-launch of the Fraunhofer Center for Energy Innovation (Center) located on the University campus. The Center, which is legally part of Fraunhofer USA, takes part in the development of advanced technologies related to energy storage, fuel cells, in-steam hydro, power management and distribution through contract research. Under the agreements, Fraunhofer USA has committed $903,000 and DECD has committed up to $1.2 million through May 31, 2020, and the University has committed to provide at least $903,000 of in-kind contributions to the Center.

NOTE 16. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. Although it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. In particular, there are two pending claims resulting from deaths. In one, the claimant seeks $20.0 million in damages, though the State expects this matter to be resolved for substantially less than that amount. Any monies paid on that claim will be paid from the State's General Fund, not by the University.

In a second matter, there is a pending claim with the State Claims Commissioner in which the claimant seeks $25.0 million in damages. The State has moved to dismiss that claim and the motion is pending. A lawsuit was filed in connection with the same matter and is being handled under the State's fleet insurance policy. No demand has been made in that matter. The policy is self-insured for $4.0 million and is funded by the State, not by the University. Payments above that amount are covered by the State's excess coverage. It is unlikely that the final resolution will exceed the excess coverage. Any portion of the claim not covered by insurance will be paid out of the General Fund.

In the opinion of legal counsel, the aggregate exposure to the University pertaining to any other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed $5.0 million.

The University also participates in federal, state and local government programs that are subject to final audit by the granting agencies. Management believes any adjustment of costs resulting from such audits would not have a material effect on the University's financial statements.

NOTE 17. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The table below details the University's operating expenses by functional classification for the year ended June 30, 2018 (amounts in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	$ 251,097	$ 133,786	$ 34,829	$ 1	$ -	$ (22)	$ 419,691
Research	46,426	15,969	25,652	1	-	421	88,469
Public service	25,094	15,031	9,129	-	-	163	49,417
Academic support	66,124	43,232	37,908	-	-	-	147,264
Student services	22,654	14,114	8,086	2	-	-	44,856
Institutional support	34,457	24,408	16,491	-	-	1	75,357
Operations and maintenance	31,019	37,153	55,529	14,483	-	-	138,184
Depreciation and amortization	-	-	-	-	108,185	-	108,185
Scholarships and fellowships	33	7	287	-	-	7,905	8,232
Auxiliary enterprises	92,455	54,845	76,545	5,168	-	402	229,415
Total	$ 569,359	$ 338,545	$ 264,456	$ 19,655	$ 108,185	$ 8,870	$ 1,309,070

Required Supplementary Information
State Employees' Retirement System (SERS)

Schedule of University's Proportionate Share of Collective Net Pension Liability (NPL)
($ in thousands)

Fiscal Year Ended June 30	SERS 2018	2017	2016	2015
Proportion of the collective NPL	4.78%	4.91%	4.88%	4.51%
Proportionate share of the collective NPL	$ 1,007,992	$ 1,126,394	$ 805,629	$ 722,009
University's covered payroll	$ 195,810	$ 200,845	$ 189,903	$ 165,841
Proportionate share of the collective NPL as a percentage of covered payroll	514.78%	560.83%	424.23%	435.36%
Plan fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%

Schedule of University Pension Contributions
($ in thousands)

Fiscal Year Ended June 30	SERS 2018	2017	2016	2015
Contractually required employer contribution	$ 72,898	$ 73,781	$ 73,668	$ 66,875
Actual University contributions	72,898	73,781	73,668	66,875
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 198,089	$ 195,810	$ 200,845	$ 189,903
Actual University contributions as a percentage of covered payroll	36.80%	37.68%	36.68%	35.22%

NOTES TO REQUIRED SCHEDULES

These schedules are presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Benefit Terms
2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

Required Supplementary Information
Teachers' Retirement System (TRS)

Schedule of University's Proportionate Share of Collective Net Pension Liability (NPL)
($ in thousands)

Fiscal Year Ended June 30	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Proportion of the collective NPL	0.03%	0.03%	0.04%	0.04%
Proportionate share of the collective NPL	$ 4,717	$ 4,976	$ 4,430	$ 4,090
University's covered payroll	$ 1,364	$ 1,372	$ 1,214	$ 1,191
Proportionate share of the collective NPL as a percentage of covered payroll	345.82%	362.68%	364.91%	343.41%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

Schedule of University Pension Contributions
($ in thousands)

Fiscal Year Ended June 30	TRS 2018	TRS 2017	TRS 2016	TRS 2015
Contractually required employer contribution	$ 304	$ 135	$ 426	$ 425
Actual University contributions	304	135	426	425
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 1,196	$ 1,364	$ 1,372	$ 1,214
Actual University contributions as a percentage of covered payroll	25.42%	9.90%	31.05%	35.01%

NOTES TO REQUIRED SCHEDULES

These schedules are presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

Other Factors
2018 – The State's assessed fringe benefit rate attributable to TRS increased from 9.87% in fiscal year 2017 to 27.41% in fiscal year 2018, resulting in a material increase of University contributions for that plan.

Required Supplementary Information
State Employee Other Post-Employment Benefits (OPEB) Plan

Schedule of University's Proportionate Share of Collective Net OPEB Liability (NOL)
($ in thousands)

Fiscal Year Ended June 30	**2018**
Proportion of the collective NOL	7.39%
Proportionate share of the collective NOL	$ 1,283,941
University's covered payroll	$ 435,196
Proportionate share of the collective NOL as a percentage of covered payroll	295.03%
Plan fiduciary net position as a percentage of the total OPEB liability	3.03%

Schedule of University OPEB Contributions
($ in thousands)

Fiscal Year Ended June 30	**2018**
Contractually required employer contribution	$ 60,089
Actual University contributions	60,089
Contribution deficiency (excess)	$ -
University's covered payroll	$ 448,931
Actual University contributions as a percentage of covered payroll	13.38%

NOTES TO REQUIRED SCHEDULES

This schedule is presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Assumptions
The discount rate was updated in accordance with GASB 75 to 3.68 percent as of June 30, 2017. In addition, demographic assumptions, per capita health costs, administrative costs, and contributions were updated to better reflect actual experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

STATISTICAL SECTION

Statistical Section
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SCHEDULE OF REVENUES BY SOURCE

Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Student tuition and fees, net of scholarship allowances	$ 386,921	$ 367,351	$ 341,809	$ 308,174	$ 279,577	$ 261,641	$ 251,017	$ 233,881	$ 223,766	$ 215,642
Federal grants and contracts	106,561	100,397	104,725	93,807	95,187	96,528	102,814	101,090	91,212	79,269
State and local grants and contracts	19,441	16,931	21,200	20,823	20,170	16,629	11,566	14,497	12,978	13,889
Nongovernmental grants and contracts	18,386	28,005	19,490	20,535	14,619	15,212	13,141	11,367	11,075	12,348
Sales and services of educational departments	23,708	20,325	20,543	21,028	19,280	15,814	17,348	16,161	15,204	17,216
Sales and services of auxiliary enterprises, net of scholarship allowances	210,990	209,851	210,455	201,066	195,525	185,240	181,974	178,494	161,780	149,501
Other sources	14,009	11,909	10,758	12,263	10,168	8,114	6,229	6,447	10,855	10,682
Total Operating Revenues	780,016	754,769	728,980	677,696	634,526	599,178	584,089	561,937	526,870	498,547
State appropriation	342,987	374,113	384,747	350,699	308,069	288,456	282,370	328,951	325,462	327,751
State debt service commitment for interest	70,740	64,757	53,092	46,635	42,091	40,571	39,755	39,978	38,557	37,843
Federal and state financial aid	37,986	34,800	38,968	35,684	32,647	31,456	32,176	37,601	31,918	27,071
Gifts	19,732	23,628	25,380	23,828	21,703	19,996	24,377	21,168	18,081	21,806
Investment income	6,059	2,996	1,448	889	799	859	898	1,020	1,313	4,268
Other nonoperating revenues, net	-	-	-	-	-	352	-	-	-	-
Total Nonoperating Revenues	477,504	500,294	503,635	457,735	405,309	381,690	379,576	428,718	415,331	418,739
	$ 1,257,520	**$ 1,255,063**	**$ 1,232,615**	**$ 1,135,431**	**$ 1,039,835**	**$ 980,868**	**$ 963,665**	**$ 990,655**	**$ 942,201**	**$ 917,286**

(% of total revenues)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Student tuition and fees, net of scholarship allowances	30.8%	29.3%	27.7%	27.1%	26.9%	26.8%	26.1%	23.7%	23.7%	23.5%
Federal grants and contracts	8.5%	8.0%	8.5%	8.3%	9.2%	9.8%	10.7%	10.2%	9.7%	8.6%
State and local grants and contracts	1.5%	1.3%	1.6%	1.8%	1.9%	1.7%	1.2%	1.5%	1.4%	1.5%
Nongovernmental grants and contracts	1.4%	2.2%	1.6%	1.8%	1.4%	1.6%	1.4%	1.1%	1.2%	1.3%
Sales and services of educational departments	1.9%	1.6%	1.7%	1.9%	1.9%	1.6%	1.8%	1.6%	1.6%	1.9%
Sales and services of auxiliary enterprises, net of scholarship allowances	16.8%	16.7%	17.1%	17.7%	18.8%	18.9%	18.9%	18.0%	17.2%	16.3%
Other sources	1.1%	0.9%	1.0%	1.1%	1.0%	0.8%	0.6%	0.7%	1.2%	1.2%
Total Operating Revenues	62.0%	60.0%	59.2%	59.7%	61.1%	61.2%	60.7%	56.8%	56.0%	54.3%
State appropriation	27.3%	29.9%	31.1%	30.9%	29.6%	29.4%	29.3%	33.2%	34.5%	35.7%
State debt service commitment for interest	5.6%	5.2%	4.3%	4.1%	4.0%	4.1%	4.1%	4.0%	4.1%	4.1%
Federal and state financial aid	3.0%	2.8%	3.2%	3.1%	3.1%	3.2%	3.3%	3.8%	3.4%	3.0%
Gifts	1.6%	1.9%	2.1%	2.1%	2.1%	2.0%	2.5%	2.1%	1.9%	2.4%
Investment income	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%
Other nonoperating revenues, net	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Nonoperating Revenues	38.0%	40.0%	40.8%	40.3%	38.9%	38.8%	39.3%	43.2%	44.0%	45.7%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Federal and state financial aid prior to fiscal year 2018 were reclassified from operating to nonoperating categories in order to provide comparison among years.

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Salaries and wages	$ 569,359	$ 556,411	$ 557,497	$ 542,082	$ 521,076	$ 482,685	$ 474,385	$ 472,725	$ 444,481	$ 456,102
Fringe benefits	338,545	349,328	287,553	271,164	237,715	190,549	172,765	168,133	157,746	155,215
Supplies and other expenses	264,456	245,357	245,871	217,413	211,654	205,774	190,442	208,789	192,793	188,420
Utilities	19,655	19,039	19,737	23,212	20,963	19,725	21,684	26,506	27,810	33,600
Depreciation and amortization	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037
Scholarships and fellowships	8,870	11,791	12,437	10,713	10,953	8,070	9,039	9,910	9,151	8,943
Total Operating Expenses	1,309,070	1,286,733	1,221,862	1,160,574	1,097,738	998,516	956,793	976,398	922,020	932,317
Interest expense	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916
Transfers to State General Fund	-	-	-	-	-	-	-	15,000	8,000	-
Disposal of property and equipment, net	1,524	1,418	8,486	473	1,043	(103)	540	618	727	439
Other nonoperating expenses, net	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247
Total Nonoperating Expenses	68,671	62,323	63,712	48,433	48,871	46,858	49,292	64,739	59,242	53,602
	$ 1,377,741	**$ 1,349,056**	**$ 1,285,574**	**$ 1,209,007**	**$ 1,146,609**	**$ 1,045,374**	**$ 1,006,085**	**$ 1,041,137**	**$ 981,262**	**$ 985,919**

(% of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Salaries and wages	41.3%	41.2%	43.3%	44.8%	45.4%	46.1%	47.1%	45.5%	45.4%	46.3%
Fringe benefits	24.6%	25.9%	22.4%	22.5%	20.7%	18.2%	17.2%	16.1%	16.1%	15.7%
Supplies and other expenses	19.2%	18.2%	19.1%	18.1%	18.5%	19.7%	18.8%	20.0%	19.6%	19.2%
Utilities	1.4%	1.4%	1.5%	1.9%	1.8%	1.9%	2.2%	2.5%	2.8%	3.4%
Depreciation and amortization	7.9%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%
Scholarships and fellowships	0.6%	0.9%	1.0%	0.9%	1.0%	0.8%	0.9%	1.0%	0.9%	0.9%
Total Operating Expenses	95.0%	95.4%	95.0%	96.1%	95.7%	95.5%	95.0%	93.8%	94.0%	94.6%
Interest expense	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%	5.0%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%
Disposal of property and equipment, net	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
Other nonoperating expenses, net	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%
Total Nonoperating Expenses	5.0%	4.6%	5.0%	3.9%	4.3%	4.5%	5.0%	6.2%	6.0%	5.4%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY FUNCTION
Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	$ 419,691	$ 419,251	$ 390,364	$ 382,256	$ 353,251	$ 302,202	$ 291,370	$ 292,203	$ 271,939	$ 284,036
Research	88,469	80,953	80,070	73,596	79,484	74,948	73,509	74,481	72,286	64,029
Public service	49,417	53,116	53,903	48,884	41,919	39,068	35,478	41,470	35,623	36,998
Academic support	147,264	138,912	139,643	131,914	125,557	117,679	108,340	98,393	90,593	87,047
Student services	44,856	40,087	38,916	36,955	36,787	33,315	35,256	39,755	37,063	36,711
Institutional support	75,357	74,226	66,580	57,330	54,484	51,358	53,465	84,744	83,175	83,155
Operations and maintenance of plant	138,184	137,259	122,034	114,889	105,148	94,961	100,402	71,365	66,742	71,432
Depreciation and amortization	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037
Student aid	8,232	10,306	9,748	9,127	8,796	7,154	6,107	5,490	4,638	3,917
Auxiliary enterprises	229,415	227,816	221,837	209,633	196,935	186,118	164,388	158,422	145,414	144,376
Other operating expenses	-	-	-	-	-	-	-	19,740	24,508	30,579
Interest expense	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916
Transfers to State General Fund	-	-	-	-	-	-	-	15,000	8,000	-
Disposal of property and equipment, net	1,524	1,418	8,486	473	1,043	(103)	540	618	727	439
Other nonoperating expenses, net	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247
	$ 1,377,741	**$ 1,349,056**	**$ 1,285,574**	**$ 1,209,007**	**$ 1,146,609**	**$ 1,045,374**	**$ 1,006,085**	**$ 1,041,137**	**$ 981,262**	**$ 985,919**

(% of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	30.5%	31.1%	30.3%	31.7%	30.7%	28.8%	28.9%	28.1%	27.7%	28.9%
Research	6.4%	6.0%	6.2%	6.1%	6.9%	7.2%	7.3%	7.2%	7.4%	6.5%
Public service	3.6%	3.9%	4.2%	4.0%	3.7%	3.7%	3.5%	4.0%	3.6%	3.8%
Academic support	10.7%	10.3%	10.8%	10.9%	10.9%	11.3%	10.8%	9.4%	9.2%	8.8%
Student services	3.3%	3.0%	3.0%	3.1%	3.2%	3.2%	3.5%	3.8%	3.8%	3.7%
Institutional support	5.5%	5.5%	5.2%	4.7%	4.8%	4.9%	5.3%	8.1%	8.5%	8.4%
Operations and maintenance of plant	10.0%	10.2%	9.5%	9.5%	9.2%	9.1%	10.0%	6.9%	6.8%	7.2%
Depreciation and amortization	7.8%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%
Student aid	0.6%	0.7%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%
Auxiliary enterprises	16.6%	16.9%	17.3%	17.4%	17.2%	17.8%	16.3%	15.2%	14.8%	14.6%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	2.5%	3.1%
Interest expense	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%	5.0%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%
Disposal of property and equipment, net	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Other nonoperating expenses, net	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION
Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total revenues	$ 1,257,520	$ 1,255,063	$ 1,232,615	$ 1,135,431	$ 1,039,835	$ 980,868	$ 963,665	$ 990,655	$ 942,201	$ 917,286
Total expenses	1,377,741	1,349,056	1,285,574	1,209,007	1,146,609	1,045,374	1,006,085	1,041,137	981,262	985,919
Loss Before Other Changes in Net Position	(120,221)	(93,993)	(52,959)	(73,576)	(106,774)	(64,506)	(42,420)	(50,482)	(39,061)	(68,633)
State debt service commitment for principal	187,269	281,576	103,400	56,430	80,346	-	115,400	-	61,714	104,910
Capital allocation	-	-	-	131,500	(20)	20,000	18,000	(479)	-	-
Capital grants and gifts	5,099	1,388	5,071	25,412	21,643	6,675	2,768	1,989	2,396	3,814
Additions to permanent endowments	338	1,149	14	66	743	13	-	-	33	20
Total Changes in Net Position	72,485	190,120	55,526	139,832	(4,062)	(37,818)	93,748	(48,972)	25,082	40,111
Net position, beginning	1,243,245	1,053,125	997,599	1,435,360	1,439,422	1,477,240	1,395,355	1,444,327	1,419,245	1,379,134
Prior year adjustment	(1,235,502)	-	-	(577,593)	-	-	(11,863)	-	-	-
Net Position, Ending	**$ 80,228**	**$ 1,243,245**	**$ 1,053,125**	**$ 997,599**	**$ 1,435,360**	**$ 1,439,422**	**$ 1,477,240**	**$ 1,395,355**	**$ 1,444,327**	**$ 1,419,245**
Net investment in capital assets	$ 1,682,317	$ 1,557,469	$ 1,365,918	$ 1,207,892	$ 1,187,602	$ 1,217,408	$ 1,160,216	$ 1,144,923	$ 1,131,885	$ 1,143,426
Restricted nonexpendable	15,044	14,483	12,593	13,091	13,546	11,902	11,574	11,892	11,122	10,819
Restricted expendable										
Research, instruction, scholarships and other	32,273	34,058	24,455	19,334	15,465	20,602	19,535	17,915	15,748	15,147
Loans	2,566	2,543	2,520	2,533	2,482	2,469	2,426	2,818	3,945	3,758
Capital projects and debt service	134,453	89,146	49,637	184,023	85,447	33,551	115,315	42,433	118,820	98,846
Unrestricted	(1,786,425)	(454,454)	(401,998)	(429,274)	130,818	153,490	168,174	175,374	162,807	147,249
Total Net Position	**$ 80,228**	**$ 1,243,245**	**$ 1,053,125**	**$ 997,599**	**$ 1,435,360**	**$ 1,439,422**	**$ 1,477,240**	**$ 1,395,355**	**$ 1,444,327**	**$ 1,419,245**

SCHEDULE OF LONG-TERM DEBT

Last Ten Fiscal Years

($ in thousands, except for outstanding debt per student)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General obligation bonds	$ 1,661,785	$ 1,504,995	$ 1,303,870	$ 1,147,985	$ 1,023,985	$ 828,795	$ 903,550	$ 804,310	$ 877,492	$ 844,945
Revenue bonds	240,980	105,955	112,410	118,625	124,615	130,415	154,170	159,290	164,375	172,830
Self-liquidating bonds	-	-	275	349	551	1,050	2,171	2,953	3,793	4,786
Capital lease obligations	84,199	42,818	47,229	51,398	55,437	59,320	62,785	66,098	69,267	72,298
Installment loans and other	62	117	5,487	671	1,027	1,319	1,727	150	253	416
	1,987,026	1,653,885	1,469,271	1,319,028	1,205,615	1,020,899	1,124,403	1,032,801	1,115,180	1,095,275
Premiums and discounts	229,155	201,858	172,757	134,213	107,074	82,980	46,320	25,849	27,956	18,825
Total Long-Term Debt	2,216,181	1,855,743	1,642,028	1,453,241	1,312,689	1,103,879	1,170,723	1,058,650	1,143,136	1,114,100
Less: State debt service commitment for general obligation bonds	(1,661,785)	(1,504,995)	(1,303,870)	(1,147,985)	(1,023,985)	(828,795)	(903,550)	(804,310)	(877,492)	(844,945)
Total Long-Term Debt, Net	$ 554,396	$ 350,748	$ 338,158	$ 305,256	$ 288,704	$ 275,084	$ 267,173	$ 254,340	$ 265,644	$ 269,155
Full-time equivalent students*	29,424	29,220	28,832	28,134	27,461	27,036	27,240	26,686	26,705	26,382
Outstanding debt per student	$ 18,842	$ 12,004	$ 11,729	$ 10,850	$ 10,513	$ 10,175	$ 9,808	$ 9,531	$ 9,947	$ 10,202

**Source: IPEDS (Integrated Postsecondary Education Data System) 12-month Instructional Activity surveys for fiscal years 2009 to 2018, including Storrs and Regional Campuses.*

SCHEDULE OF DEBT COVERAGE - REVENUE BONDS

Last Ten Fiscal Years

($ in thousands)

	Gross Revenues (1)	Pledged Revenues (2)	Expenses (3)	Net Revenues Available	Total Gross and Net Revenues Available for Debt Service	Debt Service	Coverage Ratio
2018	$ 52,429	$ 173,951	$ (131,743)	$ 42,208	$ 94,637	$ (12,432)	7.61
2017	51,486	172,444	(132,742)	39,702	91,188	(11,554)	7.89
2016	50,650	174,991	(134,492)	40,499	91,149	(11,557)	7.89
2015	50,506	168,047	(132,863)	35,184	85,690	(11,552)	7.42
2014	48,515	162,160	(125,014)	37,146	85,661	(11,548)	7.42
2013	45,355	151,766	(120,021)	31,745	77,100	(12,011)	6.42
2012	44,410	150,726	(118,434)	32,292	76,702	(12,667)	6.06
2011	42,022	144,790	(113,620)	31,170	73,192	(12,664)	5.78
2010	39,342	133,554	(102,113)	31,441	70,783	(13,211)	5.36
2009	36,850	124,078	(101,987)	22,091	58,941	(13,209)	4.46

(1) Gross revenues include the infrastructure maintenance fee, the general university fee, and investment income.
(2) Pledged revenues include the residential life room fee, student apartment rentals, the Greek housing fee, the board (dining) fee, and the parking and transportation fees.
(3) Expenses include the cost of maintaining, repairing, insuring, and operating the facilities for which the fees in (2) are imposed, before depreciation.

ADMISSIONS AND ENROLLMENT

Last Ten Fiscal Years

FRESHMEN ADMISSIONS (STORRS)	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Applications	34,198	35,980	34,978	31,280	27,479	29,966	27,247	22,142	21,999	21,058
Offers of admission	16,360	17,560	18,598	15,629	14,745	13,397	12,894	11,949	10,931	11,474
Percent admitted	48%	49%	53%	50%	54%	45%	47%	54%	50%	54%
Enrolled	3,683	3,822	3,774	3,588	3,755	3,114	3,327	3,339	3,221	3,604
Yield (enrolled/offers)	23%	22%	20%	23%	25%	23%	26%	28%	29%	31%
Total average SAT	1,294	1,233	1,233	1,234	1,233	1,226	1,216	1,221	1,212	1,200

ENROLLMENT	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Non-Resident Alien										
Male	2,001	1,890	1,773	1,532	1,301	1,163	1,018	924	872	875
Female	1,847	1,665	1,462	1,277	1,077	1,012	892	787	725	710
Black or African American										
Male	885	874	813	756	722	723	756	709	673	677
Female	1,153	1,098	1,053	1,010	981	1,017	1,007	963	977	931
American Indian or Alaska Native										
Male	16	19	18	18	25	25	28	33	43	37
Female	27	25	28	27	29	31	40	41	38	46
Asian										
Male	1,497	1,475	1,372	1,315	1,213	1,194	1,159	1,119	1,062	1,054
Female	1,556	1,467	1,419	1,333	1,189	1,106	1,108	1,060	1,038	986
Hispanic/Latino										
Male	1,477	1,386	1,293	1,233	1,132	1,059	1,006	889	790	746
Female	1,800	1,616	1,468	1,393	1,315	1,206	1,149	1,095	983	930
Native Hawaiian or Other Pacific Islander										
Male	10	8	8	10	8	12	14	11	*	*
Female	13	12	13	13	16	17	14	11	*	*
Two or More Races										
Male	394	364	330	301	258	238	170	96	*	*
Female	464	442	412	408	381	300	197	90	*	*
White										
Male	9,089	9,518	9,809	9,916	10,183	10,416	10,795	10,913	10,860	10,764
Female	9,361	9,581	9,789	10,022	10,102	10,209	10,641	10,763	10,940	11,124
Total Head Count	31,590	31,440	31,060	30,564	29,932	29,728	29,994	29,504	29,001	28,880
Percent female	51.3%	50.6%	50.4%	50.7%	50.4%	50.1%	50.2%	50.2%	50.7%	51.0%
Percent minority	29.4%	27.9%	26.5%	25.6%	24.3%	23.3%	22.2%	20.7%	19.3%	18.7%
Percent non-resident alien	12.2%	11.3%	10.4%	9.2%	7.9%	7.3%	6.4%	5.8%	5.5%	5.5%

White includes other/unknown.

**Beginning Fall 2010, new race/ethnic categories are required for federal reporting.*

Includes all undergraduate, graduate, and professional school enrollments at all campuses; excludes Schools of Dentistry and Medicine; includes full-time and part-time students, and degree and non-degree students.

Source: University of Connecticut Office of Institutional Research and Effectiveness

ACADEMIC YEAR TUITION AND MANDATORY FEES
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Undergraduate resident	$ 14,880	$ 14,066	$ 13,366	$ 12,700	$ 12,022	$ 11,242	$ 10,670	$ 10,416	$ 9,886	$ 9,338
Undergraduate non-resident	$ 36,948	$ 35,858	$ 34,908	$ 32,880	$ 30,970	$ 29,074	$ 27,566	$ 26,880	$ 25,486	$ 24,050
Graduate resident	$ 16,810	$ 15,996	$ 15,296	$ 14,472	$ 13,662	$ 12,786	$ 12,130	$ 11,828	$ 11,226	$ 10,594
Graduate non-resident	$ 38,122	$ 37,032	$ 36,082	$ 33,944	$ 31,946	$ 29,994	$ 28,438	$ 27,740	$ 26,310	$ 24,814

DEGREES CONFERRED
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Associate	21	30	24	20	21	26	25	29	26	19
Bachelor's	5,618	5,530	5,197	5,320	5,200	5,122	5,149	4,747	4,606	4,610
Post-baccalaureate	299	251	229	167	172	140	141	102	134	41
Master's	2,048	1,904	1,750	1,713	1,636	1,527	1,573	1,475	1,438	1,499
Sixth-year education	51	62	66	69	45	56	79	67	69	89
Ph.D.	384	411	379	372	342	340	341	322	309	266
J.D.	89	155	151	156	190	178	204	172	222	207
LL.M.	42	43	44	31	35	30	30	29	27	33
Pharm D.	98	101	99	95	97	94	94	103	100	98
Total	8,650	8,487	7,939	7,943	7,738	7,513	7,636	7,046	6,931	6,862

Includes May graduates of the current calendar year, and August and December graduates of the previous calendar year.
Source: University of Connecticut Office of Institutional Research and Effectiveness

FACULTY AND STAFF

Fall Employment

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FACULTY										
Full-time	1,545	1,518	1,489	1,517	1,485	1,377	1,330	1,304	1,286	1,324
Part-time	53	32	30	33	34	39	43	43	35	36
Total Faculty	1,598	1,550	1,519	1,550	1,519	1,416	1,373	1,347	1,321	1,360
Tenured	854	841	848	877	874	848	841	815	777	815
Percentage tenured	53%	54%	56%	57%	58%	60%	61%	61%	59%	60%
STAFF										
Full-time	3,109	3,198	3,115	3,080	3,063	3,028	2,956	3,017	2,879	3,049
Part-time	150	82	158	186	175	180	181	222	210	222
Total Staff	3,259	3,280	3,273	3,266	3,238	3,208	3,137	3,239	3,089	3,271
Total Faculty and Staff	4,857	4,830	4,792	4,816	4,757	4,624	4,510	4,586	4,410	4,631
Student to faculty ratio*	16 to 1	16 to 1	17 to 1	16 to 1	16 to 1	17 to 1	18 to 1	18 to 1	18 to 1	17 to 1
Full-time and part-time faculty										
Female	41%	41%	41%	39%	39%	40%	40%	39%	38%	37%
Minority	21%	23%	23%	22%	22%	22%	21%	20%	20%	19%
Full-time and part-time staff										
Female	57%	57%	57%	58%	57%	58%	58%	58%	58%	58%
Minority	15%	17%	17%	17%	17%	17%	17%	15%	15%	15%
Staff covered by collective bargaining agreements	90%	90%	90%	91%	91%	90%	91%	92%	91%	91%
Adjunct lecturers	709	690	679	708	696	686	692	691	648	669

**Full-time equivalent students to full-time instructional faculty, Storrs and regional campuses.*

Source: University of Connecticut Office of Institutional Research and Effectiveness

SCHEDULE OF CAPITAL ASSET INFORMATION
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic Buildings										
Net assignable square feet (in thousands)	2,847	2,654	2,753	2,753	2,736	2,684	2,604	2,604	2,604	2,604
Number of buildings	170	168	171	171	171	171	172	172	172	172
Auxiliary and Independent Operations Buildings										
Net assignable square feet (in thousands)	3,859	3,753	3,277	3,336	3,279	3,279	3,396	3,430	3,430	3,430
Number of buildings	190	189	193	209	213	213	217	220	220	220
Administrative and Support Buildings										
Net assignable square feet (in thousands)	832	852	964	949	949	949	948	948	948	948
Number of buildings	83	88	97	96	96	96	95	95	95	95
Total Net Assignable Square Feet (in thousands)	7,538	7,259	6,994	7,038	6,964	6,912	6,948	6,982	6,982	6,982
Total Number of Buildings	443	445	461	476	480	480	484	487	487	487

Source: University of Connecticut Office of Cost Analysis and Office of University Planning, Design and Construction

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Residential halls*	100	101	115	115	116	117	116	114	114	114
Residential hall occupancy	12,597	12,699	12,723	12,711	12,668	12,469	12,716	12,546	12,378	11,970
Percentage of main campus undergraduates in campus housing	66%	67%	70%	71%	72%	72%	73%	74%	73%	71%

**Residential halls include houses owned by the University and used for student housing. For 2018, residential halls and occupancy includes Stamford campus.*
Source: Office of Residential Life

DEMOGRAPHIC AND ECONOMIC STATISTICS

State of Connecticut

Last Ten Fiscal Years

	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2018	$ 265,636,709,000	3,588,236	$ 74,030	4.5%
2017	251,389,254,000	3,568,714	70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%
2009*	197,824,664,000	3,561,807	55,541	6.9%

**Quarterly population not available. Annual population used 2009.*
(a) Source: U.S. Department of Commerce
(b) Source: Connecticut Department of Labor

TOP TEN NONGOVERNMENTAL EMPLOYERS

State of Connecticut

Current Year and Ten Years Ago

NAME	2018 Employees in CT	2018 Percentage of Total CT Employment	2018 Rank	
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)
Yale University	14,440	0.8%	4	
General Dynamics/Electric Boat	11,862	0.7%	5	
Wal-Mart Stores Inc.	8,835	0.5%	6	
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	
The Hartford	6,800	0.4%	10	
Total	120,455	6.7%		

	2009 Employees in CT	2009 Percentage of Total CT Employment	2009 Rank	
United Technologies Corp. UTC	27,050	1.7%	1	(1)
Stop & Shop Co. Inc	13,574	0.8%	2	
Yale University	12,795	0.8%	3	
Hartford Financial Services	12,500	0.8%	4	
Mohegan Sun Casino	9,800	0.6%	5	
Foxwoods Resort Casino	9,276	0.6%	6	
Wal-Mart Stores Inc.	9,204	0.6%	7	
General Dynamics/Electric Boat	8,200	0.5%	8	
Aetna, Inc.	7,206	0.4%	9	
AT&T Connecticut	7,000	0.4%	10	
Total	116,605	7.2%		

Source: Hartford Business Journal (HBJ)

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

UNIVERSITY OF CONNECTICUT

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