# Comprehensive Annual Financial Report

## FOR THE YEAR ENDED JUNE 30, 2019

*Included as an Enterprise Fund of the State of Connecticut*

UCONN | UNIVERSITY OF CONNECTICUT

UCONN | UNIVERSITY OF CONNECTICUT

# Comprehensive Annual Financial Report

## For the Year Ended June 30, 2019

*Included as an Enterprise Fund of the State of Connecticut*

*Prepared by the Office of the Controller*

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# INTRODUCTORY SECTION

UCONN
UNIVERSITY OF CONNECTICUT

**LETTER OF TRANSMITTAL**

December 30, 2019

To President Katsouleas,
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, 2019. 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, 2019, was performed by the State of Connecticut Auditors of Public Accounts. They have issued an unmodified 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.

In addition to academics, the University also participates in Division I athletics. The University's women's basketball team is a dominant powerhouse that has won eleven national championships overall and has appeared in the last twelve NCAA final fours. In 2017, the women's field hockey team posted the program's first undefeated season en route to winning their third national title in the last seven years.

*Student and Faculty Data*
For the 2018-2019 academic year, the number of applications for undergraduate admissions grew to over 38,000 for just 5,500 seats. Total enrollment in the fall of 2018 was 31,646 students, including nearly 7,700

graduate students. There were 42 states represented in the University's student population, as well as 106 countries. Of the 23,978 undergraduates, 51 percent were female and 35 percent were minority students. The University employs 1,540 full-time faculty members and an additional 783 part-time faculty and adjuncts. In 2018-2019, the University awarded 8,776 degrees. Approximately 73 percent of graduates who attended high school in Connecticut and who are employed, continue to work in the State of Connecticut.

*Related Organization*
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.

**Economic Condition**

The Connecticut economy continues to experience steady growth in some categories. In September 2018, the unemployment rate was 3.9 percent. Since then, the unemployment rate has dropped 0.3 percent to 3.6 percent. Between fiscal year 2017 and fiscal year 2018, the statewide average weekly wage grew 1.3 percent to $1,334. However, according to the Connecticut Economic Digest in 2018, single-family home sales decreased by 1.9 percent over the prior year and conventional mortgage rates increased to an average of 4.54%, the highest average rate since 2010.

Connecticut continues to deal with extremely large unfunded pension liabilities. As those costs are passed onto the University through fringe benefit rates, it negatively affects the University's research competitiveness. The University expects to pay $27.7 million in fiscal year 2020 towards both unfunded pension and retiree health liabilities from non-state funds such as tuition, student fees and other outside revenues.

**Long-Term Financial Planning**

Despite recent cuts in State support and increasing fringe benefit costs, 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 2019 represented the third 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 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 years 2018 and 2019, the Foundation raised $153.8 million in commitments. Since 2010, the Foundation has raised nearly $672 million in commitments from private sources for direct operational and endowment support at the University.

*Reductions in Spending*
Over the last several years, the University has been and will continue to implement spending cuts across departments, requiring attrition and vacancy savings to achieve cost savings. The University has also taken measures to increase operational efficiencies, such as the One UConn effort to consolidate cross-campus administrative functions to streamline or eliminate non-core activities whenever possible. 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 1,677 at all campuses with a 33 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 2018-2019 academic year include the following:

- For fall 2018, the University ranks 19th out of the top 58 public research universities in graduation rates for all freshmen and 23rd for minority freshmen. Furthermore, the University ranks 16th among the national public research universities for freshman retention.

- Among the graduates from the 2017-2018 academic year, 88 percent have a positive outcome including employment, continuing their education, serving in the U.S. Armed Forces, or living or volunteering in the State.

- The University reduced the time to graduation to 4.2 years, which ranks 4th among public research university 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 2019, the University provided $115 million in tuition funded financial aid, which represents nearly a 10.9 percent increase over last fiscal year. An additional $8.1 million is budgeted for fiscal year 2020.

- As of this date, the University has expended $3.1 billion out of the $3.3 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 ninth consecutive year among the nation's top 25 public universities, according to the 2020 U.S. News & World Report rankings. The No. 24 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. 27 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 2019 "Best Colleges For Your Money" rankings, the University ranks 27th out of 268 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 5th spot (out of 282) on the Sierra Club's 2019 "Cool Schools" ranking. This is due in part because of the University's plan to become carbon neutral by 2050. Furthermore, the University was 10th out of more than 600 universities worldwide, and 2nd in the United States, on the 2018 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, 2018. 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, 2019 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

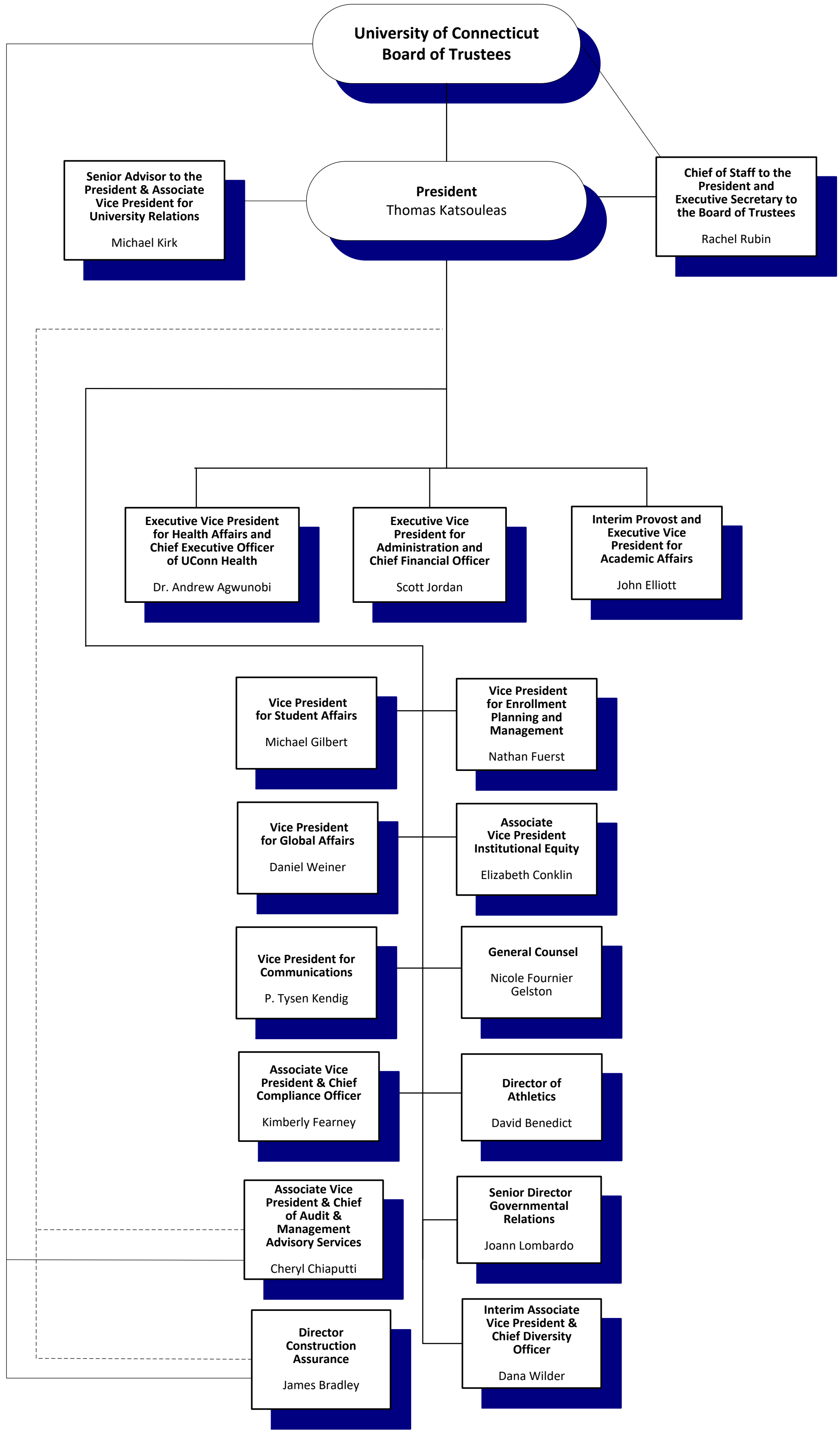
**June 30, 2018**

Christopher P. Morrill

Executive Director/CEO

# UNIVERSITY OF CONNECTICUT
# BOARD OF TRUSTEES
## As of June 30, 2019

# *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, 2019 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, 2019 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 part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 18 in which UConn restated the beginning net position to correct a misstatement and for the adjustment to correct net position categories prior to July 1, 2018. In our opinion, the adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

The accompanying Management's Discussion and Analysis on pages 15 through 25 and the Required Supplementary Information on pages 55 through 57 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 30, 2019
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, 2019, and selected comparative information from fiscal year 2018. 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 2019, the University recorded a prior period adjustment of $11.2 million to correct the overstatement of compensated absences as of June 30, 2018, and an additional $4.3 million to reclassify long-term software commitments to net investment in capital assets from unrestricted net position (see Note 18).

In addition, the University changed its method of accounting for certain executed memorandums of understanding (MOUs) with UConn Health. In fiscal year 2018, an aggregate $12.4 million provided by UConn Health per the MOUs was reported as a reduction to operating expenses. Starting in fiscal year 2019, an aggregate $16.2 million resulting from the same transactions was recorded as operating revenues under other sources in the Statement of Revenues, Expenses, and Changes in Net Position. Prior fiscal year 2018 data presented in this MD&A was not restated (see Notes 1 and 15).

## 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.

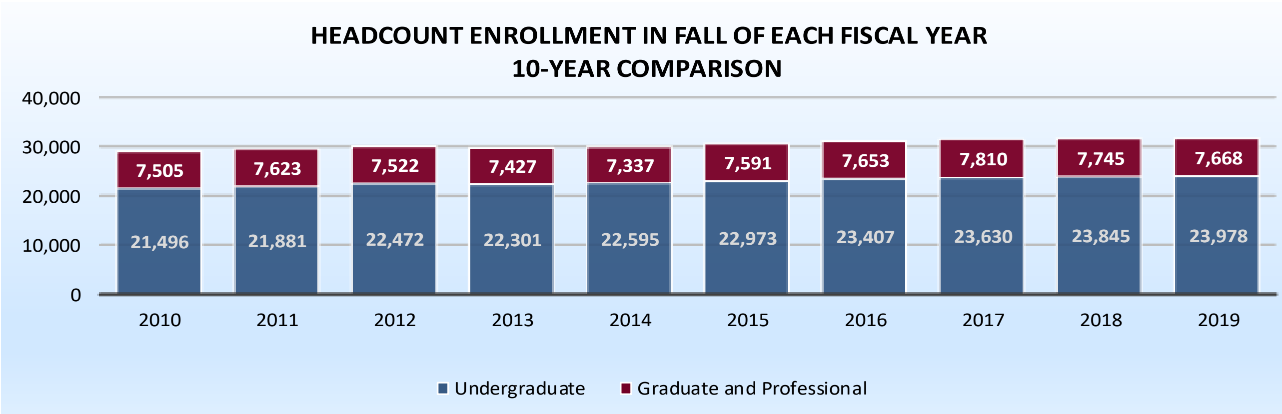
The Condensed Schedule of Revenues, Expenses, and Changes in Net Position on the following page reflects an increase in net position, exclusive of the prior period adjustment, at the end of fiscal year 2019. Summarized highlights of the information presented in the Condensed Schedule of Revenues, Expenses, and Changes in Net Position are as follows:

### Revenues

Operating revenues increased $43.4 million in fiscal year 2019 based on the following factors:

- Student tuition and fees, net of scholarship allowances, increased $9.9 million. This change was mainly due to planned tuition increases and a marginal increase in undergraduate enrollment, offset in part by higher scholarship allowances and the elimination of certain student fees. Scholarship allowances increased due to higher tuition and increases in financial aid.

The following graph presents undergraduate and graduate enrollment over the last 10 years:




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

| | 2019 | 2018 | $ Change | % Change |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Student tuition and fees, net | $ 396.8 | $ 386.9 | $ 9.9 | 2.6% |
| Grants and contracts | 163.1 | 144.4 | 18.7 | 13.0% |
| Sales and services of auxiliary enterprises, net | 211.0 | 211.0 | - | 0.0% |
| Other | 52.5 | 37.7 | 14.8 | 39.3% |
| Total Operating Revenues | 823.4 | 780.0 | 43.4 | 5.6% |
| **Operating Expenses** | | | | |
| Salaries and wages | 569.8 | 569.3 | 0.5 | 0.1% |
| Fringe benefits | 417.7 | 338.5 | 79.2 | 23.4% |
| Supplies and other expenses | 279.6 | 264.5 | 15.1 | 5.7% |
| Utilities | 21.1 | 19.7 | 1.4 | 7.1% |
| Depreciation and amortization | 119.3 | 108.2 | 11.1 | 10.3% |
| Scholarships and fellowships | 11.4 | 8.9 | 2.5 | 28.1% |
| Total Operating Expenses | 1,418.9 | 1,309.1 | 109.8 | 8.4% |
| Operating Loss | (595.5) | (529.1) | (66.4) | 12.5% |
| **Nonoperating Revenues (Expenses)** | | | | |
| State appropriation | 356.9 | 343.0 | 13.9 | 4.1% |
| State debt service commitment for interest | 77.3 | 70.7 | 6.6 | 9.3% |
| Federal and state financial aid | 42.2 | 38.0 | 4.2 | 11.1% |
| Gifts and investment income | 40.1 | 25.8 | 14.3 | 55.4% |
| Interest and other expenses, net | (72.0) | (68.6) | (3.4) | 5.0% |
| Net Nonoperating Revenues | 444.5 | 408.9 | 35.6 | 8.7% |
| Loss Before Other Changes in Net Position | (151.0) | (120.2) | (30.8) | 25.6% |
| **Other Changes in Net Position** | | | | |
| State debt service commitment for principal | 154.4 | 187.3 | (32.9) | (17.6)% |
| Capital grants and gifts | 3.9 | 5.1 | (1.2) | (23.5)% |
| Additions to permanent endowments | 0.2 | 0.3 | (0.1) | (33.3)% |
| Net Other Changes in Net Position | 158.5 | 192.7 | (34.2) | (17.7)% |
| Increase in Net Position | 7.5 | 72.5 | (65.0) | (89.7)% |
| **Net Position – Beginning of Year** | 80.2 | 1,243.2 | (1,163.0) | (93.5)% |
| Cumulative effect of applying GASB 75 | - | (1,235.5) | 1,235.5 | (100.0)% |
| Prior period adjustment (Note 18) | 11.2 | - | 11.2 | 100.0% |
| **Net Position – Beginning of Year, As Restated** | 91.4 | 7.7 | 83.7 | 1087.0% |
| **Net Position – End of Year** | $ 98.9 | $ 80.2 | $ 18.7 | 23.3% |

- 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 increased $18.7 million. Of this amount, federal grants and contracts increased $15.0 million, primarily due to an increase in funding from the U.S. Public Health Service, the National Institutes of Health, the National Science Foundation, and the U.S. Department of Defense. Nongovernmental grants increased $5.2 million due to higher revenues from nonprofit and corporate grants in fiscal year 2019. These increases were partially offset by a decrease in state and local grants of $1.5 million attributed to a reduction in revenues from the Connecticut Education Network program.

- Sales and services of auxiliary enterprises, net of scholarship allowances, increased less than $0.1 million in fiscal year 2019. This change was due to an increase in room and board fees and bookstore revenues offset by decreases in athletic revenues. Room and board fees, net of scholarship allowances, were higher due to average rate increases and a slight rise in occupancy. Revenues related to athletic programs decreased due to lower athletic conference and sponsorship revenues combined with lower ticket sales in fiscal year 2019.

- Other operating revenues increased $14.8 million. This increase was primarily due to an increase of $16.2 million attributed to the UConn Health MOU accounting change in fiscal year 2019 (see Note 1) and higher renewable energy credits. These changes were partially offset by adjustments to bad debt provisions and decreases in revenues related to education abroad programs, pre-college summer programs, and library services.

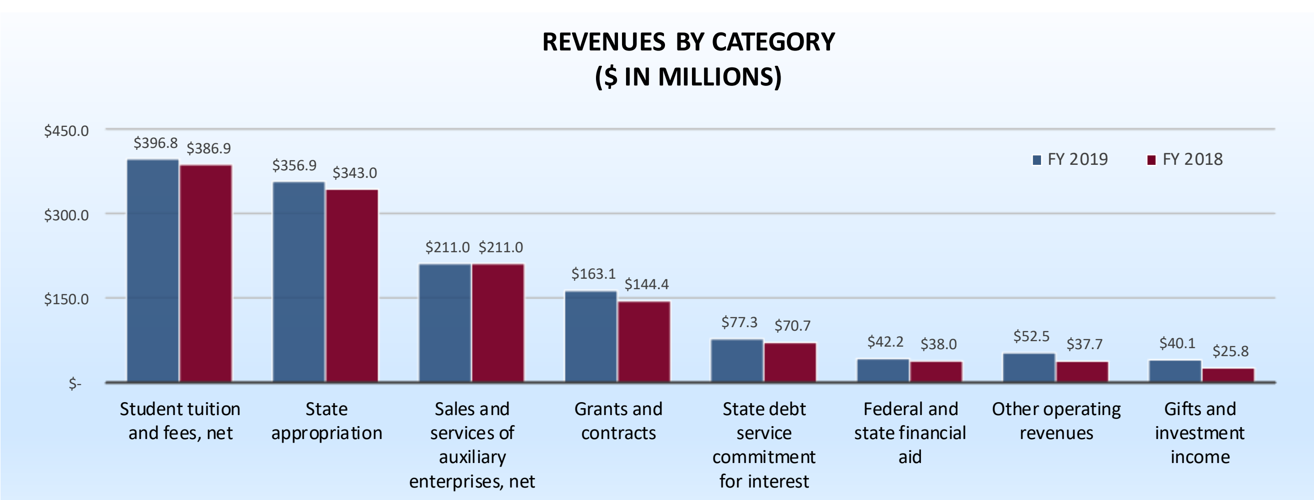
Revenues under nonoperating and other changes in net position increased $4.8 million based on the following:

- State appropriation was higher by $13.9 million in fiscal year 2019 due to higher fringe benefit reimbursements. This increase was due to employees that transferred from the Alternate Retirement Plan (ARP) to the State Employees' Retirement System (SERS) in accordance with the State Employees' Bargaining Agent Coalition (SEBAC) grievance award. This increase was partially offset by appropriations related to the one-time bonus payouts that occurred in fiscal year 2018.

- The State commits to paying 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 $32.9 million was mainly due to general obligations issued with a lower face value in the current year. This change was offset by a decrease in bond proceeds designated for UConn Health projects that are reported as a reduction to revenue.

- Federal and state financial aid was $4.2 million higher in fiscal year 2019, mainly due to increases in the Federal Pell and the Supplemental Educational Opportunity Grants.

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



- Gifts and investment income increased $14.3 million. Gift revenue increased $8.4 million due to an increase in reimbursement requests of eligible expenses from spendable resources held by the University of Connecticut Foundation (Foundation). Investment income increased $5.9 million, mainly due to higher interest rates and larger average balances from unspent bond proceeds held in the State's short-term investment fund.

- Capital grants and gifts decreased $1.2 million. The University received more capital gifts in fiscal year 2018 than in the current year including several works of art for the Benton Museum and various one-time donations of equipment. This decrease was offset in part by capital gifts related to the Werth Hall of Fame received in fiscal year 2019.

**<u>Expenses</u>**
Total expenses increased $113.2 million in fiscal year 2019 based on the following:

- Salaries and wages increased $0.5 million, primarily due to a 1.4 percent increase in full-time equivalents and changes related to the UConn Health MOUs. Funding provided by UConn Health to cover salaries of $3.1 million was recorded as a reduction to salary and wages in fiscal year 2018, whereas the same funding was recorded as revenue in fiscal year 2019 (see Note 1). In addition, the UConn Health public safety MOU covered a full year of services in fiscal year 2019 compared with a partial year covered in fiscal year 2018. These increases were offset by the one-time lump-sum bonuses awarded to employees in accordance with collective bargaining agreements in fiscal year 2018.

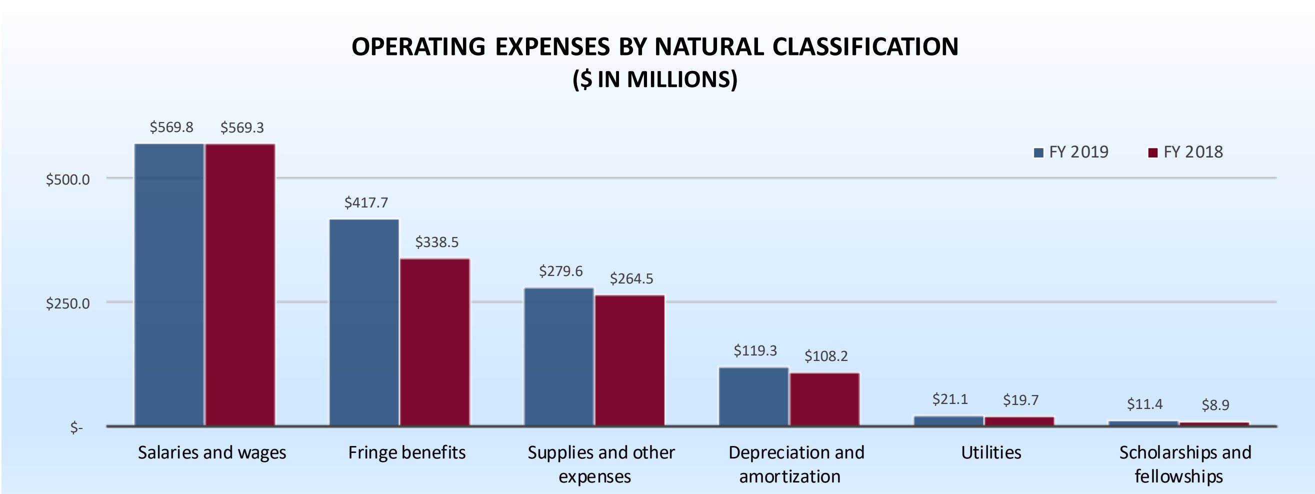
- Fringe benefits increased $79.2 million. Pension expenses for defined benefit plans were higher by $76.6 million, primarily due to one-time benefit changes related to the SEBAC 2017 agreement that reduced expenses in fiscal year 2018. Fringe benefits also increased due to higher full-time equivalents, increases in other post-employment benefit expenses of $1.7 million, and changes related to the UConn Health MOUs of $2.6 million. These increases were partially offset by decreases related to the overstatement of compensated absences in fiscal year 2018 (see Note 18), and the one-time lump-sum bonuses accrued for in the prior fiscal year.

- Supplies and other expenses increased $15.1 million. Of this amount, $6.7 million related to the UConn Health MOU accounting change in fiscal year 2019. The remaining difference consisted of increases across various functions including research, public service, academic support, and institutional support. These changes were driven mainly by increases in sub-award agreements, software licenses, consulting and professional services, and electronic library purchases. Furthermore, these increases were offset in part by a decrease in non-capital expenses related to construction projects included in operations and maintenance of plant.

- Utilities expense increased $1.4 million, mainly due to an increase in natural gas expenses offset in part by a decrease in oil costs. Natural gas was higher in fiscal year 2019 due to commodity cost increases, higher volume, and additional costs incurred to guarantee pipeline access. The decrease in oil costs was triggered by a lower usage of temporary boilers combined with the Cogeneration Facility switching from natural gas to oil for a shorter period in fiscal year 2019.

- Depreciation and amortization expense increased $11.1 million, primarily due to a full year of depreciation recognized on buildings that were placed into service at the end of fiscal year 2018.

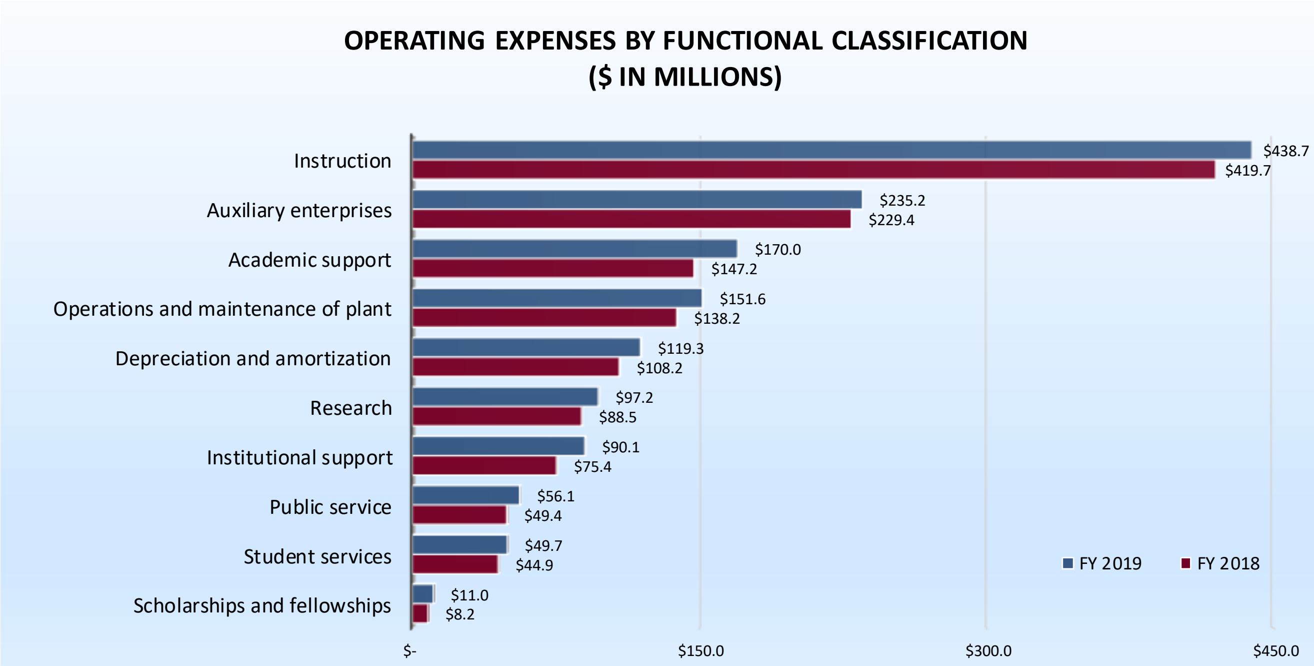
The following graph shows University's operating expenses by natural classification:



- Scholarships and fellowships increased $2.5 million, primarily due to increases in University aid, private scholarships, and Federal Pell Grants combined with higher tuition.

- Interest expense and other expenses, net, increased $3.4 million. Interest expense was higher by $5.8 million, mainly due to a full year of interest incurred on the 2018 Series A General Obligation Bonds and on new debt issued in fiscal year 2019. This change was partially offset by a decrease of interest expense on remaining bonds due to lower principal balances. Net losses related to the disposal of property and equipment also increased $0.8 million. Other nonoperating revenues (expenses), net, decreased $3.2 million due to one-time litigation recoveries in fiscal year 2019 and lower bond issuance costs. Bond issuance costs decreased in fiscal year 2019 due to the 2018 Special Obligation Student Fee Revenue Bonds issued in the prior fiscal year.

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.

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

| | 2019 | 2018 | $ Change | % Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | $ 972.0 | $ 995.9 | $ (23.9) | (2.4)% |
| Property and equipment, net | 2,203.5 | 2,099.3 | 104.2 | 5.0% |
| Other noncurrent assets | 1,591.6 | 1,557.5 | 34.1 | 2.2% |
| Total Assets | 4,767.1 | 4,652.7 | 114.4 | 2.5% |
| **Deferred Outflows of Resources** | 410.3 | 383.9 | 26.4 | 6.9% |
| **Liabilities** | | | | |
| Current liabilities | 464.7 | 497.0 | (32.3) | (6.5)% |
| Noncurrent liabilities | 4,514.8 | 4,392.0 | 122.8 | 2.8% |
| Total Liabilities | 4,979.5 | 4,889.0 | 90.5 | 1.9% |
| **Deferred Inflows of Resources** | 99.0 | 67.4 | 31.6 | 46.9% |
| **Net Position** | | | | |
| Net investment in capital assets | 1,681.7 | 1,682.3 | (0.6) | (0.0)% |
| Restricted nonexpendable | 15.0 | 15.0 | - | 0.0% |
| Restricted expendable | 201.1 | 169.3 | 31.8 | 18.8% |
| Unrestricted | (1,798.9) | (1,786.4) | (12.5) | 0.7% |
| Total Net Position | $ 98.9 | $ 80.2 | $ 18.7 | 23.3% |

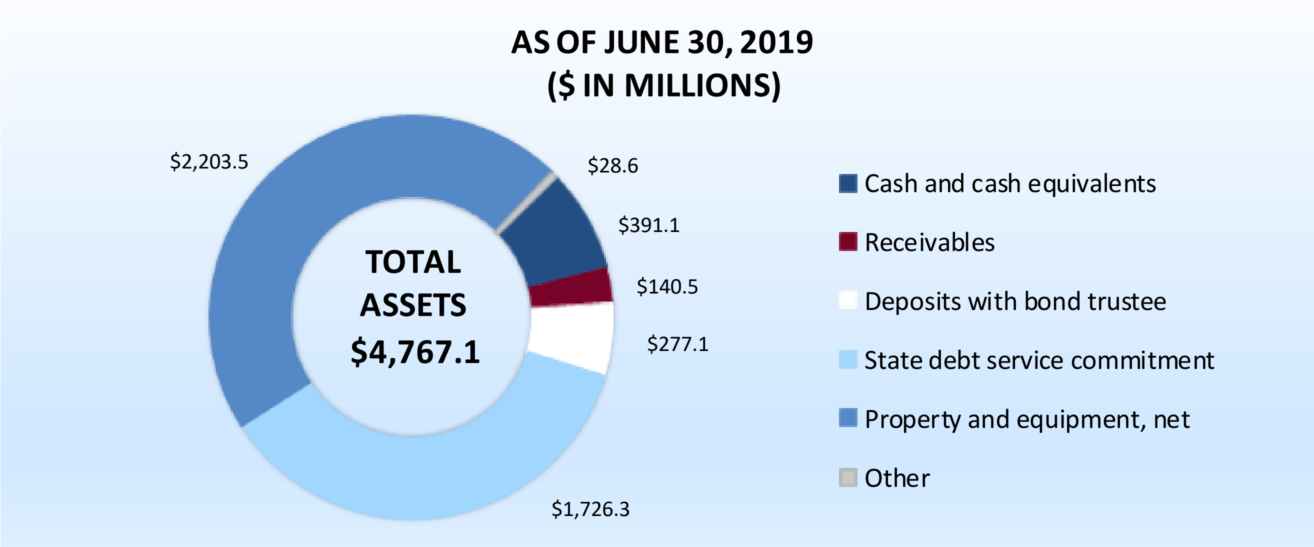
**Assets**

Total assets increased $114.4 million in fiscal year 2019. Total current assets decreased $23.9 million, net property and equipment increased $104.2 million, and noncurrent assets increased $34.1 million.

- The change in current assets was due to the following:
  - Cash and cash equivalents increased $43.8 million. This change was primarily due to a $39.4 million transfer from bond proceeds held by the Trustee Bank to the University's operating cash for reimbursement of prior year capital project expenditures. Interest income received and significant property sales that occurred in fiscal year 2019 also contributed to the increase.
  - Accounts receivable increased $13.7 million, mainly due to increases in gifts receivable from the Foundation at year-end combined with increases in grants and contracts.
  - Due from State decreased $12.3 million, primarily a result of capital expenditures paid by State General Obligation Bonds for the Technology Park during fiscal year 2019, and a lower State appropriation receivable due to the one-time bonus payments accrued for General Fund employees in fiscal year 2018.
  - Due from affiliate (UConn Health) increased $5.5 million, partially due to the timing of the branding and marketing MOU payments owed by UConn Health. Receivables related to the public safety MOU also increased in fiscal year 2019.
  - The current portion of the State debt service commitment increased $1.4 million due to the issuance of the 2019 Series A General Obligation Bonds, partially offset by principal payments and refundings.
  - Deposits with bond trustee decreased $80.8 million due to expenditures funded by bond proceeds in fiscal year 2019, partially offset by the addition of new general obligation bonds issued in the current fiscal year.
  - Prepaid expenses and other assets increased $4.8 million, primarily due to $5.1 million of revenue retained by the American Athletic Conference that will be applied to the exit fee in fiscal year 2020 (see Note 19). This change was offset in part by decreases due to the phase-out of the University's consumable inventory.
- The net increase in capital assets consists of $238.9 million in additions, offset in part by $119.3 million of depreciation and $15.4 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 $36.1 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 graph shows total assets by major category:

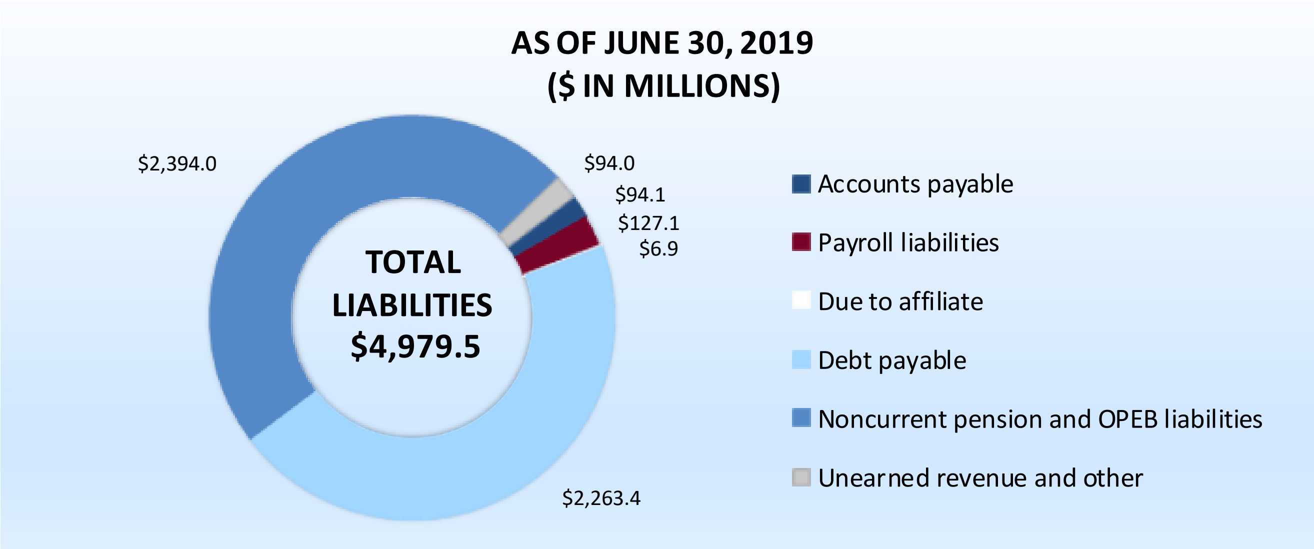



**Liabilities**

Total liabilities increased $90.5 million in fiscal year 2019. Current liabilities decreased $32.3 million and noncurrent liabilities increased $122.8 million.

- The change in current liabilities was primarily attributed to the following:
  - Wages payable and due to State reflected a combined decrease of $9.2 million due to longevity payments, one-time lump-sum bonuses and the related fringe benefits reimbursed to the State that were accrued for in the prior fiscal year.
  - The current portion of compensated absences also decreased $4.8 million, mainly due to the prior period adjustment that reduced the liability's beginning balance in fiscal year 2019 (see Note 18).
  - Due to affiliate decreased $28.5 million. This decrease was primarily a result of current year expenditures of $41.5 million for UConn Health capital projects, partially offset by the addition of $13.0 million in general obligation bond proceeds allocated to UConn Health projects.
  - The University's current portion of debt payable increased $8.6 million. This was primarily due to new general obligation bonds issued during the year, partially offset by debt refundings.
- The change in noncurrent liabilities was primarily attributed to the following:
  - Similar to the current portion, the long-term portion of compensated absences decreased $7.0 million, mainly due to the overstatement of the liability in the prior year. Prior year balances included fringe benefits that were already accounted for within the net pension and net OPEB liabilities.
  - Long-term debt increased $38.6 million resulting from issuances of new debt and the addition of long-term software commitments, offset in part by refundings and repayments in fiscal year 2019.
  - Net pension liabilities increased $87.6 million, primarily due to an increase in the University's proportionate share combined with experience losses in the SERS pension plan.
  - Net OPEB liability increased $9.8 million, primarily due to an increase in the University's proportionate share offset by gains from actuarial assumption changes. The assumption changes were a result of a higher discount rate used to determine the net OPEB liability recorded for the fiscal year ended June 30, 2019.
  - Other liabilities decreased $4.2 million, mainly due to the reclassification of long-term software commitments to long-term debt in fiscal year 2019.

The following graph shows total liabilities by major category:




**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources increased $26.4 million, mainly due to increases in contributions made subsequent to the measurement date and changes in proportions related to the net pension and net OPEB liabilities. The increase was partially offset by the amortization of deferrals.

Deferred inflows increased $31.6 million, mainly due to actuarial assumption changes that were deferred in relation to the net OPEB liability recorded as of June 30, 2019, partially offset by the amortization of deferrals.

**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 increase in net position of $18.7 million in fiscal year 2019 included the following changes:

- Net investment in capital assets decreased $0.6 million. This change was due to a net increase in capital assets of $104.2 million, reduced by a net increase of $100.5 million in capital-related debt and the reclassification of $4.3 million for long-term software commitments (see Note 18).

- Restricted nonexpendable had a decrease of less than $0.1 million due to reductions of endowment investments offset by additions to permanent endowments received during fiscal year 2019.

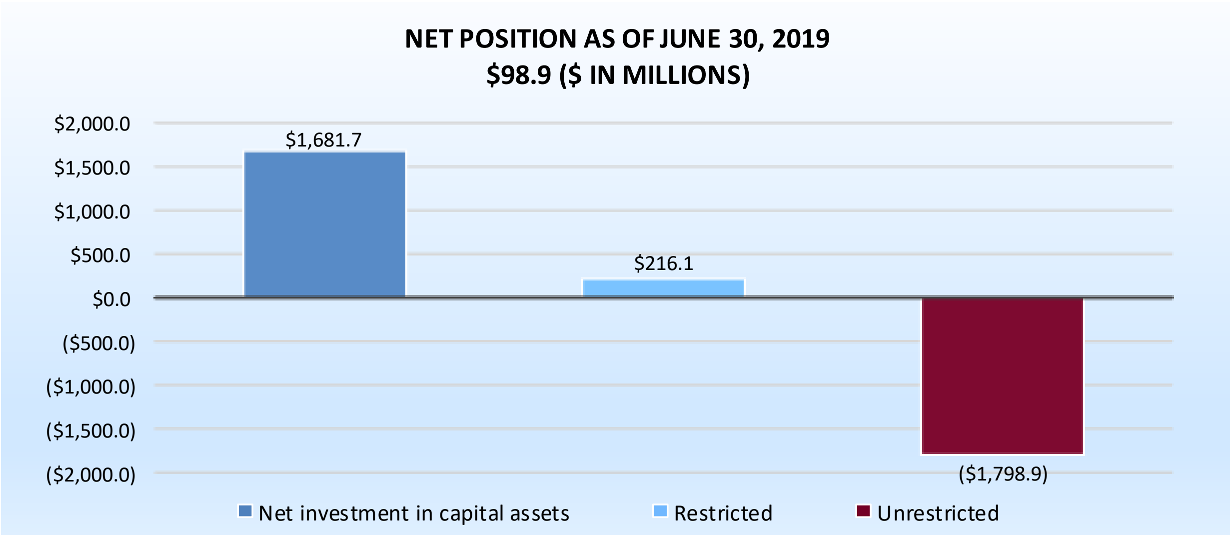
- Restricted expendable increased $31.8 million as follows:

  - Restricted expendable under capital projects increased $42.4 million due to a higher amount of unspent general obligation bond proceeds at year-end than in the prior year combined with the addition of $5.2 million related to the sale of the West Harford campus. These additions were partially offset by a decrease in State bond proceeds allocated for the Technology Park.

  - Restricted expendable related to research and scholarships decreased $10.6 million, primarily due to a transfer to unrestricted funds related to differences in projected versus actual fringe benefit costs charged on grants. This decrease was partially offset by an increase in large private donations in fiscal year 2019.

- Unrestricted net position decreased $12.5 million. This change was mainly due to OPEB and pension related expenses in fiscal year 2019 that were partially offset by the reimbursement of unrestricted funds from general obligation and revenue bond proceeds, prior period adjustments (see Note 18), investment income, and transfers related to differences in projected versus actual fringe benefit costs.

The following graph shows net position by major category:




**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, and gifts. 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):

| | 2019 | 2018 | $ Change | % Change |
|---|---|---|---|---|
| Land | $ 20.1 | $ 20.7 | $ (0.6) | (2.9)% |
| Construction in progress | 279.6 | 224.6 | 55.0 | 24.5% |
| Art and historical collections | 56.4 | 56.0 | 0.4 | 0.7% |
| Non-structural improvements | 260.3 | 153.2 | 107.1 | 69.9% |
| Buildings and improvements | 1,465.7 | 1,522.3 | (56.6) | (3.7)% |
| Intangible assets | 21.6 | 20.2 | 1.4 | 6.9% |
| Library materials | 5.8 | 6.6 | (0.8) | (12.1)% |
| Equipment | 94.0 | 95.7 | (1.7) | (1.8)% |
| Total Property and Equipment, Net | $ 2,203.5 | $ 2,099.3 | $ 104.2 | 5.0% |

- Construction in progress increased approximately $55.0 million as projects including Student Recreation Center, Fine Arts Phase 2 – Renovation and Improvements, Gant Building STEM Renovations, Central Campus Infrastructure Upgrades, Central Utility Plant Equipment Replacement and Pumping Project, University Athletic District Development, and other projects continued construction. Additions to Construction in progress also include net interest costs relating to projects financed by University funded debt. Additions were offset as projects including the North Eagleville Road Area Infrastructure Repair/Replacement and Upgrades – Phase 3, the Energy Services Performance Contract – Phase 1, the Northwest Science Quad Infrastructure – Phase 1, and other projects were completed and transferred from construction in progress to buildings and improvements and non-structural improvements.

- Art and historical collections increased by $0.4 million, representing additions in fiscal year 2019.

- Non-structural improvements increased by $107.1 million. Additions totaling $118.0 million included North Eagleville Road Area Infrastructure Repair/Replacement and Upgrades – Phase 3, Energy Services Performance Contract – Phase 1, Northwest Science Quad Infrastructure – Phase 1, Southwest Campus Infrastructure Upgrade, and other projects. These additions were offset by depreciation expense of $10.2 million and net retirements of $0.7 million.

- Buildings and improvements decreased by $56.6 million. Additions of $41.2 million included Beach Hall Lab Renovations, additional costs relating to the Technology Quadrant Innovation Partnership Building and Engineering and Science Building, and other renovation projects. These additions were offset by depreciation expense of $84.0 million and net disposals of $13.8 million.

- Intangible assets increased by $1.4 million. Additions of $6.5 million included long-term software licensing commitments, costs associated with the Concur Travel and Expense project and other software implementations offset by amortization expense of $5.1 million.

- Library materials decreased by $0.8 million. Additions of approximately $0.7 million were offset by $1.5 million in depreciation expense.

- Equipment decreased by $1.7 million. Additions of $17.0 million were offset by depreciation expense and net asset disposals of $18.7 million.

- 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 June 2019, the University sold the Nathan Hale Inn to a third-party buyer. As part of the purchase and sale agreement, the University transferred real property (hotel building and improvements and land improvements) and personal property in exchange for $8.3 million.

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.

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 2019, the University issued UCONN 2000 general obligation bonds with a combined face value of $239.5 million, of which $13.0 million was committed to UConn Health for its UCONN 2000 projects. This issuance included the refunding of the general obligation 2009 Series A bonds.

In addition to general obligation bonds, the University may issue special obligation bonds, also called Student Fee Revenue Bonds, which are secured by certain pledged revenues. There were no special obligation bonds issued or refunded in fiscal year 2019.

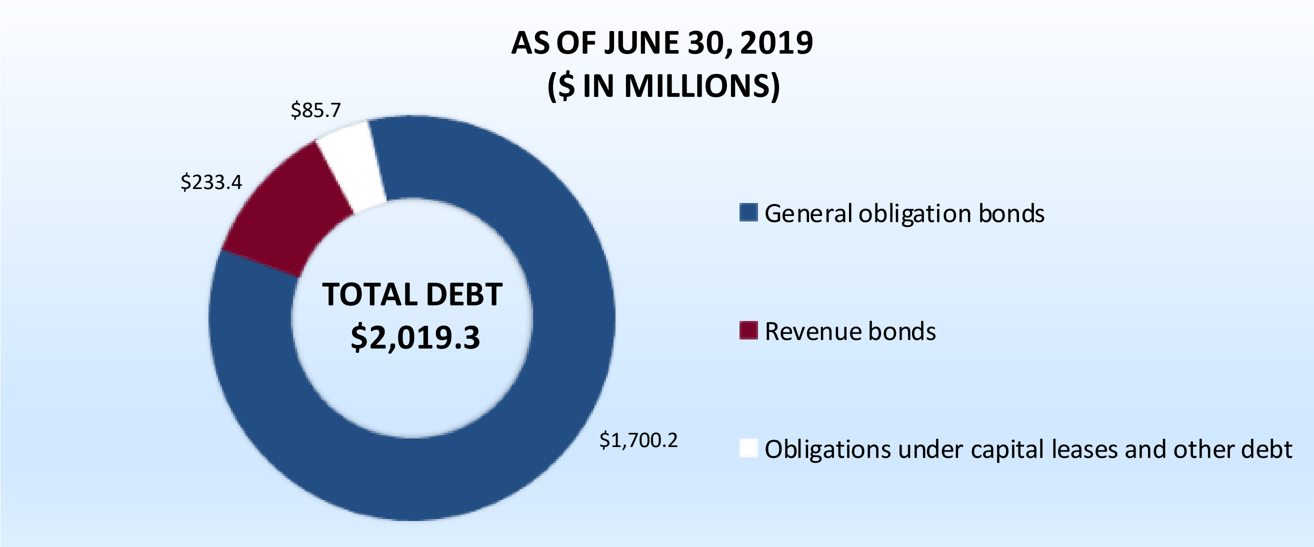
Subsequent to June 30, 2019, the University exercised its call option on the Special Obligation Student Fee Revenue Bonds 2010 Refunding Series and redeemed the entire $16.7 million of outstanding principal on the bonds (see Note 19).

Obligations under capital leases include a lease purchase agreement to finance the UCONN 2000 Cogeneration Facility and a sublease agreement to provide student housing at the Stamford campus. There were no new capital lease obligations in fiscal year 2019.

In fiscal year 2019, the University reclassified the beginning balance of long-term software commitments from long-term liabilities to long-term debt and bonds payable (see Note 18). In addition, in fiscal year 2019, the University entered into additional long-term software commitments totaling $4.8 million.

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**

In June 2019, the University's Board of Trustees approved an annual budget of $1.5 billion that encompasses an initial projected deficit of $19.6 million for fiscal year 2020. The $19.6 million deficit is a direct result of costs associated with the unfunded pension and retiree health insurance liabilities allocated by the State. To balance the budget, the University will utilize additional salary savings from attrition and funds from unrestricted sources previously set aside for other initiatives.

Student tuition and fees budgeted in fiscal year 2020 represent about 41 percent of total revenues, greater than State support at about 26 percent. Per the agreement reached with the Governor and the General Assembly, State support budgeted in fiscal year 2020 includes a block grant of $200.4 million and payment for fringe benefits and adjustments of $171.1 million. Due to ongoing financial constraints on the State, the University is at risk for an additional 5 percent cut as part of the Governor's rescission authority in order to mitigate potential State deficits in fiscal year 2020.

Salary and fringe benefit costs have continued to grow at a significant pace, representing over 57 percent of the University's fiscal year 2020 budget. This is mainly due to mandatory raises for unionized employees and rising fringe benefit rates. Transfers from ARP to SERS as result of the SEBAC grievance award have also contributed to higher costs. To address shortfalls going forward, the University implemented strategic cuts to units across all campuses, created operational efficiencies including reorganization of various administrative areas, and raised tuition in the final year of the four-year tuition plan.

In the midst of this difficult financial climate, the University continues its focus on protecting and enhancing academic excellence, and to deliver a high standard of service to the students and citizens of the State. According to the fiscal year 2020 budget plan, the University will increase financial aid support to $194.7 million to assist students and to demonstrate the University's commitment to affordability.

In August 2019, the University completed construction of its four-story, 191,000 square foot Student Recreation Center located on the Storrs campus. Starting in the fall of 2019, all Storrs matriculated students pay a mandatory fee that supports the Student Recreation Center's operations and the University's debt service related to the facility. Undergraduate and graduate students pay $250 and $200 per semester, respectively.

Other significant events for fiscal year 2020 include the University's withdrawal from the American Athletic Conference (AAC). Based on the AAC separation agreement, the University will pay an exit fee of $17.0 million, and the AAC will retain revenue distribution payments earned for the fiscal year ended June 30, 2019, and for the following fiscal year as partial payment. Furthermore, the University will pay a $3.5 million entrance fee to the Big East Conference in fiscal year 2020. See Note 19 for additional details.

# UNIVERSITY OF CONNECTICUT
# STATEMENT OF NET POSITION
# As of June 30, 2019

*($ in thousands)*

| | 2019 |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 391,116 |
| Accounts receivable, net | 65,569 |
| Student loans receivable, net | 2,295 |
| Due from State of Connecticut | 52,342 |
| Due from affiliate (Note 1) | 13,829 |
| State debt service commitment | 157,354 |
| Deposits with bond trustee | 277,131 |
| Prepaid expenses and other assets | 12,373 |
| **Total Current Assets** | 972,009 |
| **Noncurrent Assets** | |
| Investments | 16,187 |
| Student loans receivable, net | 6,510 |
| State debt service commitment | 1,568,905 |
| Property and equipment, net | 2,203,537 |
| **Total Noncurrent Assets** | 3,795,139 |
| **Total Assets** | 4,767,148 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 410,273 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable | 94,158 |
| Unearned revenue | 38,712 |
| Deposits held for others | 1,937 |
| Federal refundable loans | 4,166 |
| Wages payable | 61,514 |
| Compensated absences | 18,284 |
| Due to State of Connecticut | 34,271 |
| Due to affiliate (Note 1) | 6,889 |
| Current portion of long-term debt and bonds payable | 167,319 |
| Other current liabilities | 37,445 |
| **Total Current Liabilities** | 464,695 |
| **Noncurrent Liabilities** | |
| Compensated absences | 13,015 |
| Long-term debt and bonds payable | 2,096,055 |
| Federal refundable loans | 7,754 |
| Net pension liabilities | 1,100,278 |
| Net other post-employment benefits liability | 1,293,696 |
| Other liabilities | 4,035 |
| **Total Noncurrent Liabilities** | 4,514,833 |
| **Total Liabilities** | 4,979,528 |
| **DEFERRED INFLOWS OF RESOURCES** | 99,033 |
| **NET POSITION** | |
| **Net investment in capital assets** | 1,681,657 |
| **Restricted nonexpendable** | 15,005 |
| **Restricted expendable** | |
| Research, instruction, scholarships, and other | 21,716 |
| Loans | 2,608 |
| Capital projects and debt service | 176,785 |
| **Unrestricted** | (1,798,911) |
| **Total Net Position** | $ 98,860 |

*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, 2019

*($ in thousands)*

| | 2019 |
|---|---|
| **OPERATING REVENUES** | |
| Student tuition and fees, net of scholarship allowances of $172,581 | $ 396,780 |
| Federal grants and contracts | 121,593 |
| State and local grants and contracts | 17,959 |
| Nongovernmental grants and contracts | 23,577 |
| Sales and services of educational departments | 22,710 |
| Sales and services of auxiliary enterprises, net of scholarship allowances of $7,827 | 211,036 |
| Other sources | 29,750 |
| **Total Operating Revenues** | 823,405 |
| **OPERATING EXPENSES** | |
| Salaries and wages | 569,872 |
| Fringe benefits | 417,689 |
| Supplies and other expenses | 279,602 |
| Utilities | 21,063 |
| Depreciation and amortization | 119,346 |
| Scholarships and fellowships | 11,409 |
| **Total Operating Expenses** | 1,418,981 |
| **Operating Loss** | (595,576) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| State appropriation | 356,898 |
| State debt service commitment for interest | 77,333 |
| Federal and state financial aid | 42,222 |
| Gifts | 28,185 |
| Investment income | 11,957 |
| Interest expense | (70,460) |
| Disposal of property and equipment, net | (2,345) |
| Other nonoperating revenues, net | 745 |
| **Net Nonoperating Revenues** | 444,535 |
| **Loss Before Other Changes in Net Position** | (151,041) |
| **OTHER CHANGES IN NET POSITION** | |
| State debt service commitment for principal | 154,405 |
| Capital grants and gifts | 3,907 |
| Additions to permanent endowments | 171 |
| **Net Other Changes in Net Position** | 158,483 |
| **Increase in Net Position** | 7,442 |
| **NET POSITION** | |
| **Net Position – Beginning of Year, As Restated (Note 18)** | 91,418 |
| **Net Position – End of Year** | $ 98,860 |

*See accompanying notes to basic financial statements.*

# UNIVERSITY OF CONNECTICUT
# STATEMENT OF CASH FLOWS
# For the Year Ended June 30, 2019

*($ in thousands)*

| | 2019 |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Student tuition and fees | $ 390,161 |
| Grants and contracts | 159,543 |
| Sales and services of educational departments | 22,653 |
| Sales and services of auxiliary enterprises | 206,808 |
| Payments to employees | (577,592) |
| Payments for benefits | (314,031) |
| Payments to suppliers and others | (347,952) |
| Collections of loans to students | 2,161 |
| Loans issued to students | (68) |
| Other cash receipts | 26,893 |
| Other cash payments | (108) |
| **Net Cash Used in Operating Activities** | (431,532) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State appropriation | 359,481 |
| State debt service commitment related to affiliate | 65,287 |
| Federal and state financial aid | 42,067 |
| Gifts | 19,636 |
| Proceeds from bonds related to affiliate | 13,000 |
| Principal paid on debt and bonds payable related to affiliate | (38,358) |
| Interest paid on debt and bonds payable related to affiliate | (26,929) |
| **Net Cash Provided from Noncapital Financing Activities** | 434,184 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Proceeds from bonds | 187,000 |
| State debt service commitment | 141,953 |
| Principal paid on debt and bonds payable | (105,951) |
| Interest paid on debt and bonds payable | (59,919) |
| Proceeds from sale of property and equipment | 13,056 |
| Purchases of property and equipment | (238,472) |
| Capital allocation | 9,361 |
| Capital grants and gifts | 2,736 |
| **Net Cash Used in Capital and Related Financing Activities** | (50,236) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchase of investments, net | (462) |
| Interest on investments | 11,067 |
| Deposit with bond trustee | 80,783 |
| **Net Cash Provided from Investing Activities** | 91,388 |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | 43,804 |
| **BEGINNING CASH AND CASH EQUIVALENTS** | 347,312 |
| **ENDING CASH AND CASH EQUIVALENTS** | $ 391,116 |

*See accompanying notes to basic financial statements.*

# UNIVERSITY OF CONNECTICUT
# STATEMENT OF CASH FLOWS (Continued)
# For the Year Ended June 30, 2019

*($ in thousands)*

| | | 2019 |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES** | | |
| **Operating Loss** | $ | (595,576) |
| Adjustments to Reconcile Operating Loss to Net Cash | | |
| Provided from Operating Activities: | | |
| Depreciation and amortization expense | | 119,346 |
| Investment | | 108 |
| Property and equipment | | 4,800 |
| In-kind workers' compensation | | 364 |
| Other nonoperating revenues, net | | 745 |
| Changes in Assets and Liabilities: | | |
| Receivables, net | | (3,233) |
| Deposits | | 231 |
| Prepaid expenses and other assets | | (4,794) |
| Accounts payable, wages payable, and compensated absences | | (5,375) |
| Unearned revenue | | 258 |
| Due from (to) State of Connecticut, net | | (1,695) |
| Due from (to) affiliate, net | | (49,947) |
| Deferred outflows (inflows) | | 1,806 |
| Other liabilities | | 1,645 |
| Federal refundable loans | | 2,460 |
| Net pension and net other post-employment benefits liabilities | | 97,325 |
| **Net Cash Used in Operating Activities** | $ | (431,532) |

| | | |
|---|---|---|
| **ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS** | | |
| Proceeds from refunding bonds | $ | 72,813 |
| Amortization of premiums, discounts, and net loss on debt refundings | | 16,460 |
| Conference revenue retained by the American Athletic Conference | | 5,171 |
| Acquisition of software licenses under long-term purchase contracts | | 4,846 |
| Capital assets acquired through gifts | | 494 |
| Unrealized loss on investment | | (108) |
| Net loss on disposal of capital assets with an original cost of $40,241, accumulated depreciation of $24,840, and cash proceeds of $13,056 | | (2,345) |

*See accompanying notes to basic financial statements.*

# Notes to Financial Statements
# For the Year Ended June 30, 2019

## 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 four regional campuses: Avery Point, Hartford, Stamford, and Waterbury. It also includes 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, 2019, 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.

**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, 2019, GASB issued the following statements that were adopted for this financial report:

- GASB Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. ARO recognition occurs when a liability is both incurred and reasonably estimable. The measurement of an ARO is based on the best estimate of the current value of outlays expected to be incurred. A deferred outflow of resources associated with an ARO is also recognized at the amount of the corresponding liability upon initial measurement. As a result of adopting GASB 83, the University recorded a long-term liability and a related deferred outflow for an ARO in the accompanying financial statements as of June 30, 2019. The cumulative effect of applying this standard was not recorded as it was immaterial to the financial statements. See Note 7 for additional disclosures related to AROs.

- GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* requires that additional essential information related to debt, including direct borrowings, direct placements, and unused lines of credit, be disclosed in the notes to the financial statements. GASB 88 also clarifies which liabilities should be included when disclosing information related to debt. As a result of adopting GASB 88, the University included long-term software commitments in its debt-related disclosures (see Note 6). In conjunction with implementing this standard, beginning balances related to long-term software commitments under other long-term liabilities were also reclassified to long-term debt and bonds payable in the accompanying Statement of Net Position. See also Note 18 regarding a prior period adjustment related to long-term software commitments.

**Other Accounting Changes**

In recent years, the University executed several memorandums of understanding (MOUs) with UConn Health to combine various operating activities such as public safety, branding, and other services in efforts to achieve cost-savings and efficiencies. These agreements require UConn Health to pay an agreed-upon amount to the University to cover the increase in personnel costs and other expenses incurred from managing these operations on UConn Health's behalf. In prior fiscal years, these transactions were treated as reimbursements and were recorded as reductions to expenses in the University's financial statements. Due to the significant increase of UConn Health MOU activity during fiscal year 2019, the University reassessed and changed its accounting method to report the related UConn Health payments as operating revenues under other sources in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2019. This change is expected to further increase transparency and better reflect the University's operating activities. There was no cumulative effect of applying this change and, therefore, no adjustment to the beginning balance of net position as of June 30, 2019, was required. Furthermore, this change had no effect on the change in net position for the year ended June 30, 2019. See Note 15 for additional disclosures.

**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 an appropriation 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 amount due to State 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 amounts owed by UConn Health resulting from various MOUs and other operating activities (see Note 15). 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 paying 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, the University transfers unrestricted funds periodically 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 existed for these investments.

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.

The University does not include interest in the cost of constructed capital assets financed through general obligation bonds. The repayment of interest on these bonds is funded by the State. Interest incurred during the construction phase on projects financed through University funded debt is capitalized, net of interest earned on the invested proceeds of the borrowing.

**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 other post-employment benefits (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 an ARO 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.

A deferred outflow recorded upon the initial measurement of an ARO is amortized over the useful life of the related asset. 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 financial aid payments made directly to students.

## 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, 2019 (amounts in thousands):

| | 2019 |
|---|---|
| **Cash and Cash Equivalents** | |
| Cash maintained by State Treasurer | $ 363,837 |
| Invested in STIF | 17,283 |
| Other deposits | 9,996 |
| Total Cash and Cash Equivalents | 391,116 |
| **Deposits with Bond Trustee** | |
| Invested in STIF | 277,109 |
| Cash | 22 |
| Total Deposits with Bond Trustee | 277,131 |
| **Investments** | |
| Foundation-managed endowments | 15,005 |
| POET Technologies, Inc. | 459 |
| UConn Innovations Fund, LLC | 723 |
| Total Investments | 16,187 |
| Total Cash and Cash Equivalents, Deposits, and Investments | $ 684,434 |

**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 43 days as of June 30, 2019.

**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, 2019, deposits with bond trustee included $277.1 million invested in STIF. Of this amount, $10.2 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 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 | 5% – 45% |
| **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 0.44 years and a Standard and Poor's rating of BBB totaling $1.8 million and a rating of AAA totaling $56,000. The University endowment's foreign publicly traded equities totaled $2.9 million as of June 30, 2019. Private capital investments totaled approximately $1.0 million as of June 30, 2019.

**Other Investments**

Certain investments are also held directly by the University. As of June 30, 2019, 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, 2019 (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 $15.9 million as of June 30, 2019. 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, 2019, was $602,000.

**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, 2019 (amounts in thousands):

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | NAV | Total |
| **Foundation-Managed Investments** | | | | | |
| Cash and cash equivalents | $ 353 | $ - | $ - | $ - | $ 353 |
| Fixed income securities | | | | | |
| Corporate investment grade | 1,837 | - | - | - | 1,837 |
| Equity securities | | | | | |
| Domestic | 10,404 | - | - | - | 10,404 |
| Foreign | 11 | - | - | - | 11 |
| Private capital | | | | | |
| Buyout and venture capital | - | - | - | 379 | 379 |
| Debt | - | - | - | 131 | 131 |
| Royalties | - | - | - | 521 | 521 |
| Long and short equities | - | - | - | 1 | 1 |
| Private real estate | - | - | - | 24 | 24 |
| Private natural resources | - | - | - | 419 | 419 |
| Relative value | - | - | - | 925 | 925 |
| Total Foundation-Managed Investments | 12,605 | - | - | 2,400 | 15,005 |
| **University-Held Investments** | | | | | |
| Equity securities – foreign | 459 | - | - | - | 459 |
| Other | - | - | - | 723 | 723 |
| Total University-Held Investments | 459 | - | - | 723 | 1,182 |
| Total Investments | $ 13,064 | $ - | $ - | $ 3,123 | $ 16,187 |

The Foundation has agreements with external investment managers that include certain redemption terms and restrictions as noted in the following table as of the fiscal year ended June 30, 2019 (amounts in thousands):

| | 2019 | | | | |
|---|---|---|---|---|---|
| **Investment Strategy** | **Fair Value** | **Unfunded Commitments** | **Remaining Life** | **Redemption Terms** | **Redemption Restrictions** |
| Private capital partnerships including venture, buyout, and debt in the U.S. and international, and other | $ 1,031 | $ 78 | Less than 1 to 8 years | Not applicable | Not redeemable |
| Private real estate partnerships in commercial, residential, office, and industrial properties | 24 | 39 | 1 to 3 years | Not applicable | Not redeemable |
| Natural resource partnerships in energy and timber | 419 | 76 | 1 to 5 years | Not applicable | Not redeemable |
| Total | $ 1,474 | $ 193 | | | |

## NOTE 3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following (amounts in thousands):

| | 2019 |
|---|---|
| Grants and contracts | $ 38,736 |
| Student and general | 32,187 |
| Investment income | 2,285 |
| Allowance for doubtful accounts | (7,639) |
| Total Accounts Receivable, Net | $ 65,569 |

The University participated in the U.S. Department of Education Federal Direct Lending Program during fiscal year 2019 and distributed student loans through this program of $169.1 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, 2019, was $349,000; this amount was included as a receivable under grants and contracts.

The University reported student loans receivable of $8.8 million for the fiscal year ended June 30, 2019. 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 2019 amount is reported net of an allowance for doubtful accounts of $1.0 million at June 30, 2019. 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, 2019 (amounts in thousands):

| | Balance July 1, 2018 | Additions | Retirements | Transfers | Balance June 30, 2019 |
|---|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | | |
| Land | $ 20,678 | $ - | $ (568) | $ - | $ 20,110 |
| Construction in progress | 224,571 | 138,897 | - | (83,839) | 279,629 |
| Art and historical collections | 56,011 | 424 | (68) | - | 56,367 |
| Total Capital Assets Not Being Depreciated | 301,260 | 139,321 | (636) | (83,839) | 356,106 |
| **Depreciable Capital Assets** | | | | | |
| Non-structural improvements | 312,733 | 40,855 | (1,409) | 77,164 | 429,343 |
| Buildings and improvements | 2,576,316 | 34,549 | (24,767) | 6,675 | 2,592,773 |
| Intangible assets | 45,158 | 6,476 | (641) | - | 50,993 |
| Library materials | 54,231 | 740 | - | - | 54,971 |
| Equipment | 278,728 | 17,027 | (12,787) | - | 282,968 |
| Total Depreciable Capital Assets | 3,267,166 | 99,647 | (39,604) | 83,839 | 3,411,048 |
| **Less Accumulated Depreciation** | | | | | |
| Non-structural improvements | 159,579 | 10,178 | (698) | - | 169,059 |
| Buildings and improvements | 1,054,046 | 83,979 | (10,949) | - | 1,127,076 |
| Intangible assets | 24,880 | 5,114 | (641) | - | 29,353 |
| Library materials | 47,577 | 1,536 | - | - | 49,113 |
| Equipment | 183,028 | 18,539 | (12,551) | - | 189,016 |
| Total Accumulated Depreciation | 1,469,110 | 119,346 | (24,839) | - | 1,563,617 |
| **Depreciable Capital Assets, Net** | 1,798,056 | (19,699) | (14,765) | 83,839 | 1,847,431 |
| **Property and Equipment, Net** | $ 2,099,316 | $ 119,622 | $ (15,401) | $ - | $ 2,203,537 |

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. For the year ended June 30, 2019, the University recognized a loss on the sale of $1.7 million, which is included in disposal of property and equipment, net, in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

In June 2019, the University sold the Nathan Hale Inn to a third-party buyer. As part of the purchase and sale agreement, the University transferred real property (hotel building and improvements and land improvements) and personal property in exchange for $8.3 million. As part of a ground lease agreement, the University will lease the land on which the hotel is situated to the buyer for $1 per year for 98 years. For the year ended June 30, 2019, the University recognized a gain on the sale of $250,000, which is included in disposal of property and equipment, net. Operating revenues and expenses reported from the Nathan Hale Inn operations during fiscal year 2019, were $1.9 million and $900,000, respectively. These amounts were included under the corresponding operating categories for auxiliary enterprises in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

The University capitalized $4.8 million of net interest cost for the year ended June 30, 2019.

## NOTE 5. UNEARNED REVENUE

As of June 30, 2019, unearned revenue included the following (amounts in thousands):

| | **2019** |
|---|---|
| Tuition, fees, and other student charges | $ 20,970 |
| Amounts received from grant sponsors | 12,958 |
| Athletic tickets, commitments, and other | 4,784 |
| Total Unearned Revenue | $ 38,712 |

## NOTE 6. LONG-TERM DEBT AND BONDS PAYABLE

The UConn 2000 Infrastructure Improvement Program (UCONN 2000) established by The University of Connecticut 2000 Act (Act) is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a 32-year capital budget program in three phases, estimated to cost $4,619.3 million. The Act was originally adopted in 1995 to authorize and finance the UCONN 2000 Phase I Projects and the UCONN 2000 Phase II Projects at University campuses not including UConn Health. The Act was amended in 2002 by the 21st Century UConn Act to add the authorization and financing of UCONN 2000 Phase III Projects that included projects at UConn Health.

In 2010, the General Assembly enacted and the Governor signed Public Act (PA) 10-104 that increased the cost of certain UConn Health projects, authorized additional projects for UConn Health, and extended UCONN 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed PA 11-75 that increased the estimated cost of two UConn Health projects. In 2013, the General Assembly enacted and the Governor signed PA 13-233, Next Generation Connecticut, that authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment, and extended UCONN 2000 for an additional six fiscal years to 2024.

In 2017, the General Assembly enacted and the Governor signed PA 17-2 that extended UCONN 2000 for an additional three fiscal years to 2027, but did not increase the total amount that may be authorized by the Board of Trustees for the UCONN 2000 projects.

UCONN 2000 is to be funded in part by the issuance of $4,282.9 million of general obligation bonds of the University secured by the State debt service commitment. The balance of the estimated cost of UCONN 2000 projects that is not to be financed by the University's bonds secured by the State debt service commitment may be funded by the issuance of the University's special obligation bonds, other University debt obligations, State general obligation bonds, from gifts, and other revenue or borrowing resources of the University.

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 2019, the University issued general obligation bonds at a face value of $239.5 million, comprising $174.8 million of 2019 Series A bonds and $64.7 million of 2019 Refunding Series A bonds. The total bonds were issued at a premium of $34.9 million. Total net proceeds realized from the 2019 Series A bonds were $200.0 million after the payment of issuance costs and underwriter fees. Of this amount, $13.0 million was allocated to finance projects at UConn Health.

Net proceeds realized from the 2019 Refunding Series A bonds were used to refund $72.1 million of the previously issued 2009 Series A General Obligation Bonds in advance of maturity. This reduced the general obligation debt service in future years by $9.6 million and resulted in an economic gain (present value of the savings) of $7.9 million. The difference between the reacquisition price and the net carrying amount of the old debt totaled $3.1 million. This difference was reported within deferred outflows of resources in the accompanying Statement of Net Position and is amortized to interest expense through fiscal year 2029 using the straight-line method.

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, 2019, total State debt service commitment for principal recognized was $154.4 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, 2019, the unspent portion of this balance was $6.9 million. In addition, nonoperating revenue for State debt service commitment for interest on general obligation bonds of $77.3 million was recognized for the year ended June 30, 2019, of which approximately $26.4 million was associated with UConn Health projects. As of June 30, 2019, approximately $619.4 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. There were no special obligation bonds issued or refunded in fiscal year 2019.

Special obligation bonds are secured by certain pledged revenues as defined in the indenture. In fiscal year 2019, this consisted of gross and net revenue amounts of approximately $100.4 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, 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, 2019, was $383.7 million. The total amount of $7.5 million for the principal and $6.9 million for the interest was paid on this debt from pledged revenues in fiscal year 2019.

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, 2019, was as follows (amounts in thousands):

| | **(Restated) Balance July 1, 2018** | **Additions** | **Retirements** | **Balance June 30, 2019** | **Current Portion** |
|---|---|---|---|---|---|
| General obligation bonds | $ 1,661,785 | $ 239,465 | $ (201,070) | $ 1,700,180 | $ 131,275 |
| Revenue bonds | 240,980 | - | (7,535) | 233,445 | 10,045 |
| Installment loans | 62 | - | (37) | 25 | 25 |
| Obligations under capital leases | | | | | |
| Cogeneration Facility | 38,195 | - | (4,729) | 33,466 | 4,834 |
| Stamford residential facility | 46,004 | - | (955) | 45,049 | 932 |
| Long-term software commitments | 4,330 | 4,846 | (2,044) | 7,132 | 1,735 |
| Total Long-Term Debt | 1,991,356 | 244,311 | (216,370) | 2,019,297 | 148,846 |
| Premiums and discounts | 229,155 | 34,853 | (19,931) | 244,077 | 18,473 |
| Total Long-Term Debt, Net | $ 2,220,511 | $ 279,164 | $ (236,301) | $ 2,263,374 | $ 167,319 |

Long-term debt outstanding as of June 30, 2019, consisted of the following (amounts in thousands):

| Type of Debt and Issue Date | Original Amount | Maturity Dates Through Fiscal Year | Interest Rate* | 2019 Balance |
|---|---|---|---|---|
| **Bonds** | | | | |
| GO 2010 Series A | $ 97,115 | 2030 | 3.0-5.0% | $ 53,400 |
| GO 2010 Refunding Series A | 36,095 | 2021 | 2.25-5.0% | 6,095 |
| GO 2011 Series A | 179,730 | 2031 | 3.515-5.0% | 107,820 |
| GO 2011 Refunding Series A | 31,905 | 2023 | 2.0-5.0% | 14,520 |
| GO 2013 Series A | 172,660 | 2034 | 2.0-5.0% | 129,490 |
| GO 2013 Refunding Series A | 51,250 | 2024 | 2.0-5.0% | 34,295 |
| GO 2014 Series A | 109,050 | 2034 | 2.0-5.0% | 81,780 |
| 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% | 176,135 |
| GO 2015 Refunding Series A | 34,625 | 2026 | 4.0-5.0% | 24,135 |
| GO 2016 Series A | 261,510 | 2036 | 3.0-5.0% | 222,275 |
| GO 2016 Refunding Series A | 80,425 | 2027 | 4.0-5.0% | 31,855 |
| GO 2017 Series A | 311,200 | 2037 | 2.5-5.0% | 280,080 |
| GO 2017 Refunding Series A | 33,950 | 2022 | 2.5-5.0% | 26,885 |
| GO 2018 Series A | 276,075 | 2038 | 3.0-5.0% | 262,275 |
| GO 2019 Series A | 174,785 | 2038 | 3.0-5.0% | 174,785 |
| GO 2019 Refunding Series A | 64,680 | 2028 | 5.0% | 64,680 |
| Total General Obligation Bonds | 2,228,160 | | | 1,700,180 |
| Rev 2010 Refunding Series A | 47,545 | 2028 | 3.0-5.0% | 21,310 |
| Rev 2012 Refunding Series A | 87,980 | 2030 | 1.5-5.0% | 71,135 |
| Rev 2018 Series A | 141,725 | 2047 | 3.0-5.25% | 141,000 |
| Total Revenue Bonds | 277,250 | | | 233,445 |
| Total Bonds | 2,505,410 | | | 1,933,625 |
| **Loans and Other Debt** | | | | |
| Installment loans | 246 | various | 1.31-1.40% | 25 |
| Obligations under capital leases | | | | |
| Cogeneration Facility | 81,900 | 2026 | 2.22% | 33,466 |
| Stamford residential facility | 47,000 | 2042 | 2.62% | 45,049 |
| Long-term software commitments | 9,997 | various | 4.94% | 7,132 |
| Total Loans and Other Debt | 139,143 | | | 85,672 |
| Total Bonds, Loans, and Other Debt | $2,644,553 | | | 2,019,297 |
| Add: premiums and discounts | | | | 244,077 |
| Total Bonds, Loans, and Installment Purchases, Net | | | | 2,263,374 |
| Less: current portion, net | | | | 167,319 |
| Total Noncurrent Portion, Net | | | | $2,096,055 |

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

Other debt obligations of the University include long-term software commitments and obligations under capital leases. Long-term software commitments represent the University's obligations to make payments to various vendors in accordance with contract terms in exchange for the right to use certain software applications. In fiscal year 2019, the University incurred new commitments totaling $4.8 million.

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).

Long-term debt, including general obligation bonds, revenue bonds, and other obligations, 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** |
| 2020 | $ 131,275 | $ 80,792 | $ 212,067 | $ 17,571 | $ 13,249 | $ 30,820 | $ 148,846 | $ 94,041 | $ 242,887 |
| 2021 | 126,220 | 74,869 | 201,089 | 17,928 | 12,675 | 30,603 | 144,148 | 87,544 | 231,692 |
| 2022 | 120,970 | 68,880 | 189,850 | 17,874 | 11,981 | 29,855 | 138,844 | 80,861 | 219,705 |
| 2023 | 117,155 | 63,040 | 180,195 | 17,685 | 11,302 | 28,987 | 134,840 | 74,342 | 209,182 |
| 2024 | 112,765 | 57,313 | 170,078 | 17,956 | 10,583 | 28,539 | 130,721 | 67,896 | 198,617 |
| 2025-2029 | 504,920 | 207,440 | 712,360 | 77,054 | 42,374 | 119,428 | 581,974 | 249,814 | 831,788 |
| 2030-2034 | 404,155 | 94,244 | 498,399 | 39,440 | 29,000 | 68,440 | 443,595 | 123,244 | 566,839 |
| 2035-2039 | 182,720 | 17,372 | 200,092 | 38,509 | 21,880 | 60,389 | 221,229 | 39,252 | 260,481 |
| 2040-2044 | - | - | - | 42,100 | 13,320 | 55,420 | 42,100 | 13,320 | 55,420 |
| 2045-2049 | - | - | - | 33,000 | 3,579 | 36,579 | 33,000 | 3,579 | 36,579 |
| Total | $ 1,700,180 | $ 663,950 | $ 2,364,130 | $ 319,117 | $ 169,943 | $ 489,060 | $ 2,019,297 | $ 833,893 | $ 2,853,190 |

## NOTE 7. OTHER LONG-TERM LIABILITIES

Long-term liability activity other than debt and bonds payable for the year ended June 30, 2019, was as follows (amounts in thousands):

| | (Restated) Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 | Current Portion |
|---|---|---|---|---|---|
| Compensated absences | $ 31,919 | $ 3,031 | $ (3,651) | $ 31,299 | $ 18,284 |
| Federal refundable loans | 11,835 | 107 | (22) | 11,920 | 4,166 |
| Net pension liabilities | 1,012,709 | 163,494 | (75,925) | 1,100,278 | - |
| Net OPEB liability | 1,283,941 | 114,096 | (104,341) | 1,293,696 | - |
| Other liabilities | | | | | |
| Service concession arrangement | 5,426 | - | (784) | 4,642 | 751 |
| Asset retirement obligation | - | 144 | - | 144 | - |
| Total Other Long-Term Liabilities | $ 2,345,830 | $ 280,872 | $ (184,723) | $ 2,441,979 | $ 23,201 |

Beginning balances as of July 1, 2018, shown in the table above, were restated due to prior period adjustments related to compensated absences and long-term software commitments (see Note 18).

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 as required by the U.S. Department of Education.

An asset retirement obligation (ARO) in the amount of $144,000 was recorded in other long-term liabilities relating to the University's 90-day storage facility for hazardous waste. The closure of these facilities is subject to State regulations as defined by the Connecticut

Department of Energy and Environmental Protection. In fiscal year 2015, the University paid $144,000 to close its former 90-day storage facility. The University considers this a reasonable estimate to close the new facility, which has a 40-year useful life beginning January 1, 2017.

The University has an ARO relating to the closure of its Wastewater Treatment Facility that is not yet recognized because it is not reasonably estimable.

## 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 $1. The historical cost and accumulated depreciation of the Cogeneration Facility were $82.6 million and $46.6 million, respectively, as of June 30, 2019.

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% annually. The historical cost and accumulated depreciation of the Stamford residential facility were $47.1 million and $2.8 million, respectively, as of June 30, 2019.

Equipment financed by capital leases had a historical cost and accumulated depreciation of $98,000 and $27,000, respectively, as of June 30, 2019.

All assets subject to capital lease agreements are included in property and equipment in 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, 2019, under non-cancellable operating leases that exceeded $500,000 each were as follows (amounts in thousands):

| Fiscal Year | | Payments |
|---|---|---|
| 2020 | $ | 3,848 |
| 2021 | | 3,891 |
| 2022 | | 3,878 |
| 2023 | | 3,368 |
| 2024 | | 3,100 |
| Thereafter | | 12,475 |
| Total | $ | 30,560 |

Expenses related to operating lease commitments in excess of $500,000 each were approximately $4.3 million for the fiscal year ended June 30, 2019.

## 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 Tier IV 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. SERS consists of Tier I, Tier II, Tier IIA, Tier III, Tier IV, and the Hybrid Plan, which are administered by the State Comptroller's Retirement Division under the direction of the State Employees' Retirement Commission.

The percentage of the University's eligible employees participating in SERS was approximately 50 percent in fiscal year 2018 and 62 percent in fiscal year 2019. Individuals actively employed and participating in the State Alternate Retirement Program (ARP) on September 22, 2010, were eligible to participate in the SEBAC ARP Grievance (SAG) Award. The SAG Award provided participants in ARP a one-time irrevocable opportunity to elect to transfer to SERS Tier II or Tier IIA (based on hire date) or to remain an ARP member. Accordingly, 567 University employees transferred to SERS from ARP during fiscal year 2019. The closing date for this one-time election was December 14, 2018.

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. A brief summary of benefit terms for each SERS plan is presented below.

**Deferred Vesting - SERS**

| | |
|---|---|
| Tier I | 10 years of service |
| Tier II and IIA | Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service |
| Tier III and IV | 10 years of benefit service |

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. The details on plan benefits for the Tier IV 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. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes.

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 3 years of paid salaries. Members are 100 percent vested after 10 or more years of credited service. 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. The State is required to contribute at an actuarially determined rate. Employee contribution rates for the fiscal year ended June 30, 2019 were:

- Tier I Hazardous – 5.5 percent of earnings up to Social Security Taxable Wage Base plus 6.5 percent of earnings above that level
- Tier I Plan B – 3.5 percent of earnings up to Social Security Taxable Base plus 6.5 percent of earnings above that level
- Tier I Plan C – 6.5 percent of earnings
- Tier II Hazardous – 5.5 percent of earnings
- Tier II (all others) – none
- Tier IIA and III Hazardous – 6.5 percent of earnings
- Tier IIA and III (all others) – 3.5 percent of earnings
- Tier IV Hazardous – 8 percent of earnings
- Tier IV (all others) – 5 percent of earnings

Contributions may vary for anyone electing to maintain retirement eligibility.

In accordance with the SEBAC 2017 agreement, an increase to all non-Tier IV members contribution rates of 1.5 percent of earnings became effective July 1, 2017, and an additional 0.5 percent of earnings was effective July 1, 2019. In years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2 percent). Finally, all Tier IV employees must contribute 1 percent to the defined contribution component of the Hybrid Plan and may elect additional contributions of up to 3 percent of salary. The State is required to contribute at an actuarially determined rate to the defined benefit component and 1 percent of eligible compensation to the defined contribution component.

Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the ARP, 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 3 percent higher than the contribution required from the applicable Tier II, IIA, or III Plan.

TRS contribution requirements are also established and may be amended by the State legislature. Plan members are required to contribute 7 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 2019 were 41.4 percent and 39.4 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 2019 were $94.4 million and $452,000 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, 2018. 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 5.05 percent and 0.04 percent for SERS and TRS, respectively, at the measurement date of June 30, 2018. SERS increased 0.27 of a percentage point from its proportion measured as of June 30, 2017, and TRS increased by 0.01 of a percentage point from the same measurement date.

The University's proportionate share of the collective NPL at June 30, 2019, and related pension expense for fiscal year 2019 consisted of the following (amounts in thousands):

| | **SERS** | **TRS** | **Total** |
|---|---|---|---|
| Proportionate share of collective NPL | $1,095,530 | $ 4,748 | $1,100,278 |
| Proportionate share of collective pension expense | $ 172,346 | $ 357 | $ 172,703 |

Due to the SAG Award transfers in fiscal year 2019, the University's proportionate share of the SERS collective NPL and pension expense is expected to increase significantly for the fiscal year ending June 30, 2020. However, the extent of this change cannot be estimated at the date of this report.

*Actuarial assumptions.* The TPL was determined based on the actuarial experience study for the period July 1, 2011 – June 30, 2015 for SERS and for the period July 1, 2010 – June 30, 2015 for TRS, 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 (5 percent for females and 8 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, 2018 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 1 percentage point lower or 1 percentage point higher than the current rate (amounts in thousands).

| | 1% Decrease | Current Discount | 1% Increase |
|---|---|---|---|
| SERS | $1,307,306 | $1,095,530 | $ 918,826 |
| TRS | $ 6,001 | $ 4,748 | $ 3,689 |

*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, 2018.

*Deferred Outflows and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, 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 | $119,371 | $ 446 | $119,817 |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 73,989 | 11 | 74,000 |
| Net differences between projected and actual earnings on pension plan investments | - | 88 | 88 |
| University contributions subsequent to the measurement date | 94,410 | 452 | 94,862 |
| Difference between expected and actual experience | 38,668 | - | 38,668 |
| Total Deferred Outflows | $326,438 | $ 997 | $327,435 |
| **Deferred Inflows of Resources** | | | |
| Changes in proportion and differences between University contributions and proportionate share of contributions | $ 13,726 | $ 571 | $ 14,297 |
| Net differences between projected and actual earnings on pension plan investments | 3,435 | - | 3,435 |
| Difference between expected and actual experience | - | 197 | 197 |
| Total Deferred Inflows | $ 17,161 | $ 768 | $ 17,929 |

The $94.9 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, 2020. 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 |
|---|---|---|---|
| 2020 | $ 91,365 | $ 1 | $ 91,366 |
| 2021 | 68,074 | (51) | 68,023 |
| 2022 | 37,824 | (95) | 37,729 |
| 2023 | 9,553 | (33) | 9,520 |
| 2024 | 8,050 | (36) | 8,014 |
| Thereafter | - | (8) | (8) |
| Total | $ 214,866 | $ (222) | $ 214,644 |

At June 30, 2019, the University reported a payable of $10.2 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SERS and TRS pension contributions required for the fiscal year ended June 30, 2019.

**Alternate Retirement Plan**

The University also sponsors the State 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.

ARP contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. 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 1 percent to 7 percent over a three-year period. Employer contribution rates decreased by 0.75 of a percent effective July 1, 2017, with a commensurate increase in employee contributions and decreased by another 0.25 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. There is no minimum vesting period for ARP. Other ARP provisions are described in Chapter 66 of the State General Statutes, *State Employees Retirement Act*.

The University contributes to the plan on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages of each ARP participant. The University's ARP pension expense for fiscal year 2019 was $16.9 million. At June 30, 2019, the University reported a payable of $1.8 million within due to State in the accompanying Statement of Net Position for the outstanding amount of ARP contributions required for the fiscal year ended June 30, 2019.

**Department of Dining Services**

The University's Department of Dining Services (DDS) employs 481 full-time staff, of which 63 participate in either SERS or ARP. The remaining 418 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 6 percent or 8 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. 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. 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.

For the fiscal year ended 2019, pension expense was $773,000, net of forfeitures of $7,000, for MPPP, and $15,000 for the 403(b) retirement plan. At June 30, 2019, the University recorded payables for outstanding contributions of $387,000 and $8,000, for MPPP and the 403(b) retirement, respectively, within other current liabilities in the accompanying Statement of Net Position.

## NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State provides OPEB benefits to University employees through the State Employee OPEB Plan (SEOPEBP). SEOPEBP 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.* SEOPEBP 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.* SEOPEBP 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. Employees hired prior to July 1, 2011 are vested for retiree health benefits upon completion of 10 years of actual state service. Employees hired on or after July 1, 2011 are vested for retiree health benefits upon completion of 15 years of actual state service. If employees should resign from service prior to reaching the age for early or normal retirement eligibility, the employee would be able to receive the retiree health benefits according to the Rule of 75 (age + service = 75). 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.* SEOPEBP 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 employee 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 SEOPEBP 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 15.3 percent and the total amount contributed to the plan was $68.1 million for the fiscal year ended June 30, 2019.

*Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense*. The total OPEB liability (TOL) used to calculate the NOL was determined based on an actuarial valuation report as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2017, were due to an increase in the discount rate.

At June 30, 2019, the University reported a liability of $1,293.7 million for its proportionate share of the collective NOL. The University's proportion of the collective NOL was based on the University's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, the University's proportion was 7.49 percent, which was an increase of 0.10 of a percentage point from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized OPEB expense of $90.4 million. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

| | SEOPEBP |
|---|---|
| **Deferred Outflows of Resources** | |
| University contributions subsequent to the measurement date | $ 68,115 |
| Changes in proportion | 14,306 |
| Total Deferred Outflows | $ 82,421 |
| **Deferred Inflows of Resources** | |
| Changes in assumptions | $ 68,403 |
| Changes in proportion | 6,183 |
| Net differences between projected and actual earnings on OPEB plan investments | 520 |
| Total Deferred Inflows | $ 75,106 |

The $68.1 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, 2020. 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 | SEOPEBP |
|---|---|
| 2020 | $ (15,867) |
| 2021 | (15,867) |
| 2022 | (15,867) |
| 2023 | (10,354) |
| 2024 | (2,845) |
| Thereafter | - |
| Total | $ (60,800) |

At June 30, 2019, the University reported a payable of $8.4 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SEOPEBP contributions required for the year ended June 30, 2019.

*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:

| | **SEOPEBP** |
|---|---|
| Payroll growth rate | 3.50% |
| Salary increases | 3.25% – 19.50% |
| Discount rate | 3.95% as of June 30, 2018 |
| 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 SEOPEBP 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 3.68 percent as of June 30, 2017, to 3.95 percent as of June 30, 2018. 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 (3.87 percent as of June 30, 2018). 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 1 percentage point lower or 1 percentage point higher than the current rate (amounts in thousands):

| | **Sensitivity of Discount Rate** | | |
|---|---|---|---|
| | **1% Decrease** | **Current Discount** | **1% Increase** |
| SEOPEBP | $1,500,593 | $1,293,696 | $1,125,683 |

Also, shown is the University's proportionate share of the collective NOL and what it would be using healthcare cost trend rates that are 1 percentage point lower or 1 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** |
| SEOPEBP | $1,101,930 | $1,293,696 | $1,536,693 |

*OPEB plan fiduciary net position.* Detailed information about SEOPEBP's fiduciary net position is available in the State's CAFR for the fiscal year ended June 30, 2018.

## NOTE 11. SERVICE CONCESSION ARRANGEMENT

In June 2016, the University contracted with Barnes & Noble 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. The University is obligated to provide bookstore facilities and utilities, including amounts related to the leased locations in Storrs Center and Harford. Barnes & Noble invested $4.0 million to improve and furnish the bookstore facilities.

At June 30, 2019, the University reported bookstore facilities as capital assets with a carrying amount of $7.7 million and a receivable of $1.0 million, representing June 2019 income. The University also reported a liability of $4.6 million, representing the present value of the lease obligations and utilities, and a deferred inflow of resources of $6.0 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, 2019 (amounts in thousands):

| | 2019 |
|---|---|
| **Deferred Outflows of Resources** | |
| Accumulated loss on debt refundings, net | $ 282 |
| Amounts related to net pension liabilities | 327,435 |
| Amounts related to net OPEB liability | 82,421 |
| Amounts related to ARO | 135 |
| Total Deferred Outflows of Resources | $ 410,273 |
| **Deferred Inflows of Resources** | |
| Amounts related to service concession arrangement | $ 5,998 |
| Amounts related to net pension liabilities | 17,929 |
| Amounts related to net OPEB liability | 75,106 |
| Total Deferred Inflows of Resources | $ 99,033 |

## NOTE 13. COMMITMENTS

The University had outstanding commitments, in excess of $500,000 each, of $181.2 million as of June 30, 2019. This amount included $165.1 million related to capital projects for the University and $5.5 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 $10.6 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, 2019. 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 $5.3 million for the fiscal year ended June 30, 2019. The total amount of waivers not reflected in the accompanying financial statements was $65.5 million in fiscal year 2019. Approximately 87 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 manages certain operating activities for UConn Health in exchange for payment. This includes operations related to public safety, branding, library services, technology commercialization, and other miscellaneous services. The terms of these arrangements are set forth in formal MOUs that are reviewed and agreed upon by both parties on an annual basis. Payments from UConn Health are recorded as operating revenues and the expenses incurred for services provided are reported as operating expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. For the fiscal year ended June 30, 2019, the University recorded $16.2 million in other sources of operating revenue related to these MOUs. In fiscal year 2018, $12.4 million was previously reported as a reduction to operating expenses for the same agreements (see Note 1).

In addition to the MOU activity noted above, UConn Health paid approximately $4.0 million to the University in fiscal year 2019. These amounts consisted mainly of grants and contracts, sales and services of educational departments, other miscellaneous revenues, and expense reimbursements.

The University is also responsible for the management of UCONN 2000 bond 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).

**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.

The following transactions occurred between the University and the Foundation as of and for the year ended June 30, 2019 (amounts in thousands):

| | 2019 |
|---|---|
| Total expenses incurred for guaranteed contractual services provided by the Foundation | $ 10,222 |
| Reimbursements from the Foundation for operating expenses | $ 477 |
| Accrued capital and noncapital gift and grant revenue from the Foundation | $ 26,942 |
| Amount receivable from the Foundation* | $ 14,350 |

**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 $1.

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 $1. 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.

**The State**

The University receives funding from the State for debt service on capital projects via UCONN 2000 (see Note 6). In addition, the State supports the University's mission through 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, 2019, consisted of the following (amounts in thousands):

| | 2019 |
|---|---|
| General Fund appropriation received from the State | $ 192,469 |
| Payments for fringe benefits received from the State | 167,583 |
| Decrease of General Fund payroll receivable | (3,154) |
| Total Appropriation and Payments for Fringe Benefits from the State | $ 356,898 |

The State may also issue general obligation bonds to fund capital projects at the University. 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 $10.4 million as of June 30, 2019, 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. The original agreement required each member to commit to contribute $500,000 to the fund during the commitment period that extended to April 2018. In fiscal year 2019, an amendment to the agreement was executed requiring all parties to contribute an additional $250,000. In fiscal year 2019, the University paid $250,000 as part of the amended agreement.

**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 2019, 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, and 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. For the fiscal year ended June 30, 2019, the University recorded $350,000 of grant revenue received from DECD and a corresponding expense of $350,000 for the disbursement of the grant funds to Fraunhofer USA as the grant subrecipient, per the agreement. In addition, the University provided $489,000 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 of potential individual significance. Any damages paid in connection with those claims would largely be paid through the State's fleet insurance policy and/or the State's General Fund.

Hazardous environmental conditions in excess of the U.S. Environmental Protection Agency thresholds were identified in certain properties abutting the former Stamford parking garage. As of June 30, 2019, a liability in the amount of $2.5 million was recorded under current liabilities in the accompanying Statement of Net Position for remediation efforts of 11 residential properties and investigative procedures for an additional location. The University does not expect the remediation costs for the residential properties to exceed the recorded liability; however, an estimate for the additional location is not yet established.

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, 2019 (amounts in thousands):

| | Salaries and Wages | Fringe Benefits | Supplies and Other Expenses | Utilities | Depreciation and Amortization | Scholarships and Fellowships | Total |
|---|---|---|---|---|---|---|---|
| Instruction | $ 246,543 | $ 159,030 | $ 33,057 | $ - | $ - | $ 72 | $ 438,702 |
| Research | 48,362 | 19,109 | 29,206 | - | - | 581 | 97,258 |
| Public service | 25,055 | 18,862 | 11,999 | - | - | 165 | 56,081 |
| Academic support | 67,982 | 56,813 | 45,351 | - | - | (96) | 170,050 |
| Student services | 23,339 | 18,357 | 8,032 | 2 | - | - | 49,730 |
| Institutional support | 33,993 | 31,510 | 24,583 | - | - | - | 90,086 |
| Operations and maintenance | 31,881 | 53,287 | 50,524 | 15,897 | - | - | 151,589 |
| Depreciation and amortization | - | - | - | - | 119,346 | - | 119,346 |
| Scholarships and fellowships | 68 | 21 | 346 | - | - | 10,544 | 10,979 |
| Auxiliary enterprises | 92,649 | 60,700 | 76,504 | 5,164 | - | 143 | 235,160 |
| Total | $ 569,872 | $ 417,689 | $ 279,602 | $ 21,063 | $ 119,346 | $ 11,409 | $ 1,418,981 |

## NOTE 18. ADJUSTMENTS TO NET POSITION

Beginning net position was restated for the fiscal year ended June 30, 2019, to reflect the following adjustments (amounts in thousands):

| | Net Position |
|---|---|
| **Balance as of June 30, 2018 (As Reported)** | $ 80,228 |
| **Compensated Absences Liability** | |
| Increase in beginning net position as of June 30, 2018 | 8,426 |
| Decrease in fringe benefit expenses | 2,764 |
| Total Impact on the Change in Net Position | 11,190 |
| **Long-term Software Commitments** | |
| Decrease in net investment in capital assets | (4,330) |
| Increase in unrestricted net position | 4,330 |
| Total Impact on the Change in Net Position | - |
| Total Prior Period Adjustment | 11,190 |
| **Balance as of July 1, 2018 (As Restated)** | $ 91,418 |

The compensated absences liability reported as of June 30, 2018, was overstated by $11.2 million. This amount included fringe benefit costs for defined benefit plans that were also included in net pension and net OPEB liabilities upon implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The University implemented these standards in fiscal years 2015 and 2018, respectively.

During fiscal year 2019, it was determined that long-term software commitments were not reported within the correct net position category as of June 30, 2018. Corresponding increases and decreases were also reflected in fiscal year 2019 beginning balances of long-term debt and bonds payable and other long-term liabilities, respectively. This reclassification had no impact on the change in net position.

## NOTE 19. SUBSEQUENT EVENTS

On July 1, 2019, the University notified the American Athletics Conference (AAC) that it had accepted an invitation to become a member of the Big East Conference (Big East) and will be exiting the AAC. The University and the AAC have mutually agreed that the withdrawal from the AAC will be effective June 30, 2020, and that the University will pay a $17.0 million exit fee. The University's share of AAC revenues for fiscal years 2019 and 2020 will be applied to the exit fee with the remaining amount to be paid in six equal annual installments commencing on July 1, 2021. The University has the discretion to pay the remainder of the exit fee in full at any time. In addition, pursuant to the agreement with the Big East, the University will pay a $3.5 million entrance fee prior to the entrance date to the conference of July 1, 2020.

On November 15, 2019, pursuant to the Student Fee Revenue Bonds Special Obligation Indenture of Trust, dated January 1, 1997, as amended, the University exercised its call option on the Special Obligation Student Fee Revenue Bonds, 2010 Refunding Series. The University wired $16.7 million to the Trustee bank to immediately call and redeem the entire $16.7 million outstanding principal of the bonds.

# Required Supplementary Information
# State Employees' Retirement System (SERS)

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

| | SERS | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Proportion of the collective NPL | 5.05% | 4.78% | 4.91% | 4.88% | 4.51% |
| Proportionate share of the collective NPL | $ 1,095,530 | $ 1,007,992 | $ 1,126,394 | $ 805,629 | $ 722,009 |
| University's covered payroll | $ 198,089 | $ 195,810 | $ 200,845 | $ 189,903 | $ 165,841 |
| Proportionate share of the collective NPL as a percentage of covered payroll | 553.05% | 514.78% | 560.83% | 424.23% | 435.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 36.62% | 36.25% | 31.69% | 39.23% | 39.54% |

**Schedule of University Pension Contributions**
*($ in thousands)*

| | SERS | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required employer contribution | $ 94,410 | $ 72,898 | $ 73,781 | $ 73,668 | $ 66,875 |
| Actual University contributions | 94,410 | 72,898 | 73,781 | 73,668 | 66,875 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| University's covered payroll | $ 227,836 | $ 198,089 | $ 195,810 | $ 200,845 | $ 189,903 |
| Actual University contributions as a percentage of covered payroll | 41.44% | 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 Plan.

# Required Supplementary Information
# Teachers' Retirement System (TRS)

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

| | TRS | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Proportion of the collective NPL | 0.04% | 0.03% | 0.03% | 0.04% | 0.04% |
| Proportionate share of the collective NPL | $ 4,748 | $ 4,717 | $ 4,976 | $ 4,430 | $ 4,090 |
| University's covered payroll | $ 1,196 | $ 1,364 | $ 1,372 | $ 1,214 | $ 1,191 |
| Proportionate share of the collective NPL as a percentage of covered payroll | 397.07% | 345.82% | 362.68% | 364.91% | 343.41% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |

**Schedule of University Pension Contributions**
*($ in thousands)*

| | TRS | | | | |
|---|---|---|---|---|---|
| Fiscal Year Ended June 30 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required employer contribution | $ 452 | $ 304 | $ 135 | $ 426 | $ 425 |
| Actual University contributions | 452 | 304 | 135 | 426 | 425 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| University's covered payroll | $ 1,148 | $ 1,196 | $ 1,364 | $ 1,372 | $ 1,214 |
| Actual University contributions as a percentage of covered payroll | 39.37% | 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.*

**Changes in Benefit Terms**
2019 – Beginning January 1, 2018, TRS member contributions increased from 6 percent to 7 percent of salary.

2017 – Amounts reported reflect adjustments to rates of withdrawal, disability, retirement, mortality and assumed rates of salary to more closely reflect actual and anticipated experience.

# 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 | 2019 | 2018 |
|---|---|---|
| Proportion of the collective NOL | 7.49% | 7.39% |
| Proportionate share of the collective NOL | $ 1,293,696 | $ 1,283,941 |
| University's covered payroll | $ 448,931 | $ 435,196 |
| Proportionate share of the collective NOL as a percentage of covered payroll | 288.17% | 295.03% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 4.69% | 3.03% |

## Schedule of University OPEB Contributions
*($ in thousands)*

| Fiscal Year Ended June 30 | 2019 | 2018 |
|---|---|---|
| Contractually required employer contribution | $ 68,115 | $ 60,089 |
| Actual University contributions | 68,115 | 60,089 |
| Contribution deficiency (excess) | $ - | $ - |
| University's covered payroll | $ 446,237 | $ 448,931 |
| Actual University contributions as a percentage of covered payroll | 15.26% | 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**
2019 – The discount rate was updated in accordance with GASB 75 to 3.95 percent as of June 30, 2018.

2018 – 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.

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# STATISTICAL SECTION

# Statistical Section
# Table of Contents

## SCHEDULE OF REVENUES BY SOURCE

**Last Ten Fiscal Years**

*($ in thousands)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Student tuition and fees, net of scholarship allowances | $ 396,780 | $ 386,921 | $ 367,351 | $ 341,809 | $ 308,174 | $ 279,577 | $ 261,641 | $ 251,017 | $ 233,881 | $ 223,766 |
| Federal grants and contracts | 121,593 | 106,561 | 100,397 | 104,725 | 93,807 | 95,187 | 96,528 | 102,814 | 101,090 | 91,212 |
| State and local grants and contracts | 17,959 | 19,441 | 16,931 | 21,200 | 20,823 | 20,170 | 16,629 | 11,566 | 14,497 | 12,978 |
| Nongovernmental grants and contracts | 23,577 | 18,386 | 28,005 | 19,490 | 20,535 | 14,619 | 15,212 | 13,141 | 11,367 | 11,075 |
| Sales and services of educational departments | 22,710 | 23,708 | 20,325 | 20,543 | 21,028 | 19,280 | 15,814 | 17,348 | 16,161 | 15,204 |
| Sales and services of auxiliary enterprises, net of scholarship allowances | 211,036 | 210,990 | 209,851 | 210,455 | 201,066 | 195,525 | 185,240 | 181,974 | 178,494 | 161,780 |
| Other sources | 29,750 | 14,009 | 11,909 | 10,758 | 12,263 | 10,168 | 8,114 | 6,229 | 6,447 | 10,855 |
| Total Operating Revenues | 823,405 | 780,016 | 754,769 | 728,980 | 677,696 | 634,526 | 599,178 | 584,089 | 561,937 | 526,870 |
| | | | | | | | | | | |
| State appropriation | 356,898 | 342,987 | 374,113 | 384,747 | 350,699 | 308,069 | 288,456 | 282,370 | 328,951 | 325,462 |
| State debt service commitment for interest | 77,333 | 70,740 | 64,757 | 53,092 | 46,635 | 42,091 | 40,571 | 39,755 | 39,978 | 38,557 |
| Federal and state financial aid | 42,222 | 37,986 | 34,800 | 38,968 | 35,684 | 32,647 | 31,456 | 32,176 | 37,601 | 31,918 |
| Gifts | 28,185 | 19,732 | 23,628 | 25,380 | 23,828 | 21,703 | 19,996 | 24,377 | 21,168 | 18,081 |
| Investment income | 11,957 | 6,059 | 2,996 | 1,448 | 889 | 799 | 859 | 898 | 1,020 | 1,313 |
| Other nonoperating revenues, net | 745 | - | - | - | - | - | 352 | - | - | - |
| Total Nonoperating Revenues | 517,340 | 477,504 | 500,294 | 503,635 | 457,735 | 405,309 | 381,690 | 379,576 | 428,718 | 415,331 |
| | | | | | | | | | | |
| | **$ 1,340,745** | **$ 1,257,520** | **$ 1,255,063** | **$ 1,232,615** | **$ 1,135,431** | **$ 1,039,835** | **$ 980,868** | **$ 963,665** | **$ 990,655** | **$ 942,201** |

*(% of total revenues)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Student tuition and fees, net of scholarship allowances | 29.6% | 30.8% | 29.3% | 27.7% | 27.1% | 26.9% | 26.8% | 26.1% | 23.7% | 23.7% |
| Federal grants and contracts | 9.1% | 8.5% | 8.0% | 8.5% | 8.3% | 9.2% | 9.8% | 10.7% | 10.2% | 9.7% |
| State and local grants and contracts | 1.3% | 1.5% | 1.3% | 1.6% | 1.8% | 1.9% | 1.7% | 1.2% | 1.5% | 1.4% |
| Nongovernmental grants and contracts | 1.8% | 1.4% | 2.2% | 1.6% | 1.8% | 1.4% | 1.6% | 1.4% | 1.1% | 1.2% |
| Sales and services of educational departments | 1.7% | 1.9% | 1.6% | 1.7% | 1.9% | 1.9% | 1.6% | 1.8% | 1.6% | 1.6% |
| Sales and services of auxiliary enterprises, net of scholarship allowances | 15.7% | 16.8% | 16.7% | 17.1% | 17.7% | 18.8% | 18.9% | 18.9% | 18.0% | 17.2% |
| Other sources | 2.2% | 1.1% | 0.9% | 0.9% | 1.1% | 1.0% | 0.8% | 0.6% | 0.7% | 1.2% |
| Total Operating Revenues | 61.4% | 62.0% | 60.0% | 59.1% | 59.7% | 61.1% | 61.2% | 60.7% | 56.8% | 56.0% |
| | | | | | | | | | | |
| State appropriation | 26.6% | 27.3% | 29.9% | 31.2% | 30.9% | 29.6% | 29.4% | 29.3% | 33.2% | 34.5% |
| State debt service commitment for interest | 5.8% | 5.6% | 5.2% | 4.3% | 4.1% | 4.0% | 4.1% | 4.1% | 4.0% | 4.1% |
| Federal and state financial aid | 3.1% | 3.0% | 2.8% | 3.2% | 3.1% | 3.1% | 3.2% | 3.3% | 3.8% | 3.4% |
| Gifts | 2.1% | 1.6% | 1.9% | 2.1% | 2.1% | 2.1% | 2.0% | 2.5% | 2.1% | 1.9% |
| Investment income | 0.9% | 0.5% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Other nonoperating revenues, net | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Nonoperating Revenues | 38.6% | 38.0% | 40.0% | 40.9% | 40.3% | 38.9% | 38.8% | 39.3% | 43.2% | 44.0% |
| | | | | | | | | | | |
| | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

*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)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and wages | $ 569,872 | $ 569,359 | $ 556,411 | $ 557,497 | $ 542,082 | $ 521,076 | $ 482,685 | $ 474,385 | $ 472,725 | $ 444,481 |
| Fringe benefits | 417,689 | 338,545 | 349,328 | 287,553 | 271,164 | 237,715 | 190,549 | 172,765 | 168,133 | 157,746 |
| Supplies and other expenses | 279,602 | 264,456 | 245,357 | 245,871 | 217,413 | 211,654 | 205,774 | 190,442 | 208,789 | 192,793 |
| Utilities | 21,063 | 19,655 | 19,039 | 19,737 | 23,212 | 20,963 | 19,725 | 21,684 | 26,506 | 27,810 |
| Depreciation and amortization | 119,346 | 108,185 | 104,807 | 98,767 | 95,990 | 95,377 | 91,713 | 88,478 | 90,335 | 90,039 |
| Scholarships and fellowships | 11,409 | 8,870 | 11,791 | 12,437 | 10,713 | 10,953 | 8,070 | 9,039 | 9,910 | 9,151 |
| Total Operating Expenses | 1,418,981 | 1,309,070 | 1,286,733 | 1,221,862 | 1,160,574 | 1,097,738 | 998,516 | 956,793 | 976,398 | 922,020 |
| Interest expense | 70,460 | 64,672 | 59,129 | 51,333 | 46,420 | 45,955 | 46,961 | 47,117 | 48,824 | 48,558 |
| Transfers to State General Fund | - | - | - | - | - | - | - | - | 15,000 | 8,000 |
| Disposal of property and equipment, net | 2,345 | 1,524 | 1,418 | 8,486 | 473 | 1,043 | (103) | 540 | 618 | 727 |
| Other nonoperating expenses, net | - | 2,475 | 1,776 | 3,893 | 1,540 | 1,873 | - | 1,635 | 297 | 1,957 |
| Total Nonoperating Expenses | 72,805 | 68,671 | 62,323 | 63,712 | 48,433 | 48,871 | 46,858 | 49,292 | 64,739 | 59,242 |
| | **$ 1,491,786** | **$ 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** |

*(% of total expenses)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Salaries and wages | 38.2% | 41.3% | 41.2% | 43.3% | 44.8% | 45.4% | 46.1% | 47.1% | 45.5% | 45.4% |
| Fringe benefits | 28.0% | 24.6% | 25.9% | 22.4% | 22.5% | 20.7% | 18.2% | 17.2% | 16.1% | 16.1% |
| Supplies and other expenses | 18.7% | 19.2% | 18.2% | 19.1% | 18.1% | 18.5% | 19.7% | 18.8% | 20.0% | 19.6% |
| Utilities | 1.4% | 1.4% | 1.4% | 1.5% | 1.9% | 1.8% | 1.9% | 2.2% | 2.5% | 2.8% |
| Depreciation and amortization | 8.0% | 7.9% | 7.8% | 7.7% | 7.9% | 8.3% | 8.8% | 8.8% | 8.7% | 9.2% |
| Scholarships and fellowships | 0.8% | 0.6% | 0.9% | 1.0% | 0.9% | 1.0% | 0.8% | 0.9% | 1.0% | 0.9% |
| Total Operating Expenses | 95.1% | 95.0% | 95.4% | 95.0% | 96.1% | 95.7% | 95.5% | 95.0% | 93.8% | 94.0% |
| Interest expense | 4.7% | 4.7% | 4.4% | 4.0% | 3.8% | 4.0% | 4.5% | 4.7% | 4.7% | 4.9% |
| Transfers to State General Fund | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% | 0.8% |
| Disposal of property and equipment, net | 0.2% | 0.1% | 0.1% | 0.7% | 0.0% | 0.1% | 0.0% | 0.1% | 0.1% | 0.1% |
| Other nonoperating expenses, net | 0.0% | 0.2% | 0.1% | 0.3% | 0.1% | 0.2% | 0.0% | 0.2% | 0.0% | 0.2% |
| Total Nonoperating Expenses | 4.9% | 5.0% | 4.6% | 5.0% | 3.9% | 4.3% | 4.5% | 5.0% | 6.2% | 6.0% |
| | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

## SCHEDULE OF EXPENSES BY FUNCTION

**Last Ten Fiscal Years**

*($ in thousands)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Instruction | $ 438,702 | $ 419,691 | $ 419,251 | $ 390,364 | $ 382,256 | $ 353,251 | $ 302,202 | $ 291,370 | $ 292,203 | $ 271,939 |
| Research | 97,258 | 88,469 | 80,953 | 80,070 | 73,596 | 79,484 | 74,948 | 73,509 | 74,481 | 72,286 |
| Public service | 56,081 | 49,417 | 53,116 | 53,903 | 48,884 | 41,919 | 39,068 | 35,478 | 41,470 | 35,623 |
| Academic support | 170,050 | 147,264 | 138,912 | 139,643 | 131,914 | 125,557 | 117,679 | 108,340 | 98,393 | 90,593 |
| Student services | 49,730 | 44,856 | 40,087 | 38,916 | 36,955 | 36,787 | 33,315 | 35,256 | 39,755 | 37,063 |
| Institutional support | 90,086 | 75,357 | 74,226 | 66,580 | 57,330 | 54,484 | 51,358 | 53,465 | 84,744 | 83,175 |
| Operations and maintenance of plant | 151,589 | 138,184 | 137,259 | 122,034 | 114,889 | 105,148 | 94,961 | 100,402 | 71,365 | 66,742 |
| Depreciation and amortization | 119,346 | 108,185 | 104,807 | 98,767 | 95,990 | 95,377 | 91,713 | 88,478 | 90,335 | 90,039 |
| Student aid | 10,979 | 8,232 | 10,306 | 9,748 | 9,127 | 8,796 | 7,154 | 6,107 | 5,490 | 4,638 |
| Auxiliary enterprises | 235,160 | 229,415 | 227,816 | 221,837 | 209,633 | 196,935 | 186,118 | 164,388 | 158,422 | 145,414 |
| Other operating expenses | - | - | - | - | - | - | - | - | 19,740 | 24,508 |
| Interest expense | 70,460 | 64,672 | 59,129 | 51,333 | 46,420 | 45,955 | 46,961 | 47,117 | 48,824 | 48,558 |
| Transfers to State General Fund | - | - | - | - | - | - | - | - | 15,000 | 8,000 |
| Disposal of property and equipment, net | 2,345 | 1,524 | 1,418 | 8,486 | 473 | 1,043 | (103) | 540 | 618 | 727 |
| Other nonoperating expenses, net | - | 2,475 | 1,776 | 3,893 | 1,540 | 1,873 | - | 1,635 | 297 | 1,957 |
| | **$ 1,491,786** | **$ 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** |

*(% of total expenses)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Instruction | 29.4% | 30.5% | 31.1% | 30.3% | 31.7% | 30.7% | 28.8% | 28.9% | 28.1% | 27.7% |
| Research | 6.5% | 6.4% | 6.0% | 6.2% | 6.1% | 6.9% | 7.2% | 7.3% | 7.2% | 7.4% |
| Public service | 3.8% | 3.6% | 3.9% | 4.2% | 4.0% | 3.7% | 3.7% | 3.5% | 4.0% | 3.6% |
| Academic support | 11.4% | 10.7% | 10.2% | 10.8% | 10.9% | 10.9% | 11.3% | 10.8% | 9.4% | 9.2% |
| Student services | 3.3% | 3.3% | 3.0% | 3.0% | 3.1% | 3.2% | 3.2% | 3.5% | 3.8% | 3.8% |
| Institutional support | 6.0% | 5.5% | 5.5% | 5.2% | 4.7% | 4.8% | 4.9% | 5.3% | 8.1% | 8.5% |
| Operations and maintenance of plant | 10.2% | 10.0% | 10.2% | 9.5% | 9.5% | 9.2% | 9.1% | 10.0% | 6.9% | 6.8% |
| Depreciation and amortization | 8.0% | 7.8% | 7.8% | 7.7% | 7.9% | 8.3% | 8.8% | 8.8% | 8.7% | 9.2% |
| Student aid | 0.7% | 0.6% | 0.8% | 0.8% | 0.8% | 0.8% | 0.7% | 0.6% | 0.5% | 0.5% |
| Auxiliary enterprises | 15.8% | 16.6% | 16.9% | 17.3% | 17.4% | 17.2% | 17.8% | 16.3% | 15.2% | 14.8% |
| Other operating expenses | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.9% | 2.5% |
| Interest expense | 4.7% | 4.7% | 4.4% | 4.0% | 3.8% | 4.0% | 4.5% | 4.7% | 4.7% | 4.9% |
| Transfers to State General Fund | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% | 0.8% |
| Disposal of property and equipment, net | 0.2% | 0.1% | 0.1% | 0.7% | 0.0% | 0.1% | 0.0% | 0.1% | 0.1% | 0.1% |
| Other nonoperating expenses, net | 0.0% | 0.2% | 0.1% | 0.3% | 0.1% | 0.2% | 0.0% | 0.2% | 0.0% | 0.2% |
| | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

## SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

**Last Ten Fiscal Years**

*($ in thousands)*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total revenues | $ 1,340,745 | $ 1,257,520 | $ 1,255,063 | $ 1,232,615 | $ 1,135,431 | $ 1,039,835 | $ 980,868 | $ 963,665 | $ 990,655 | $ 942,201 |
| Total expenses | 1,491,786 | 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 |
| Loss Before Other Changes in Net Position | (151,041) | (120,221) | (93,993) | (52,959) | (73,576) | (106,774) | (64,506) | (42,420) | (50,482) | (39,061) |
| | | | | | | | | | | |
| State debt service commitment for principal | 154,405 | 187,269 | 281,576 | 103,400 | 56,430 | 80,346 | - | 115,400 | - | 61,714 |
| Capital allocation | - | - | - | - | 131,500 | (20) | 20,000 | 18,000 | (479) | - |
| Capital grants and gifts | 3,907 | 5,099 | 1,388 | 5,071 | 25,412 | 21,643 | 6,675 | 2,768 | 1,989 | 2,396 |
| Additions to permanent endowments | 171 | 338 | 1,149 | 14 | 66 | 743 | 13 | - | - | 33 |
| Total Changes in Net Position | 7,442 | 72,485 | 190,120 | 55,526 | 139,832 | (4,062) | (37,818) | 93,748 | (48,972) | 25,082 |
| | | | | | | | | | | |
| Net position, beginning | 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 |
| Prior period adjustment | 11,190 (1) | (1,235,502) (2) | - | - | (577,593) (3) | - | - | (11,863) (4) | - | - |
| **Net Position, Ending** | **$ 98,860** | **$ 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** |
| | | | | | | | | | | |
| Net investment in capital assets | $ 1,681,657 | $ 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 |
| Restricted nonexpendable | 15,005 | 15,044 | 14,483 | 12,593 | 13,091 | 13,546 | 11,902 | 11,574 | 11,892 | 11,122 |
| Restricted expendable | | | | | | | | | | |
| Research, instruction, scholarships and other | 21,716 | 32,273 | 34,058 | 24,455 | 19,334 | 15,465 | 20,602 | 19,535 | 17,915 | 15,748 |
| Loans | 2,608 | 2,566 | 2,543 | 2,520 | 2,533 | 2,482 | 2,469 | 2,426 | 2,818 | 3,945 |
| Capital projects and debt service | 176,785 | 134,453 | 89,146 | 49,637 | 184,023 | 85,447 | 33,551 | 115,315 | 42,433 | 118,820 |
| Unrestricted | (1,798,911) | (1,786,425) | (454,454) | (401,998) | (429,274) | 130,818 | 153,490 | 168,174 | 175,374 | 162,807 |
| **Total Net Position** | **$ 98,860** | **$ 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) Correction of an error related to compensated absences*

*(2) Implementation of GASB 75, Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions*

*(3) Implementation of GASB 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*

*(4) Implementation of GASB 65, Items Previously Reported as Assets and Liabilities*

## SCHEDULE OF LONG-TERM DEBT

**Last Ten Fiscal Years**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| General obligation bonds | $ 1,700,180 | $ 1,661,785 | $ 1,504,995 | $ 1,303,870 | $ 1,147,985 | $ 1,023,985 | $ 828,795 | $ 903,550 | $ 804,310 | $ 877,492 |
| Revenue bonds | 233,445 | 240,980 | 105,955 | 112,410 | 118,625 | 124,615 | 130,415 | 154,170 | 159,290 | 164,375 |
| Self-liquidating bonds | - | - | - | 275 | 349 | 551 | 1,050 | 2,171 | 2,953 | 3,793 |
| Capital lease obligations | 78,515 | 84,199 | 42,818 | 47,229 | 51,398 | 55,437 | 59,320 | 62,785 | 66,098 | 69,267 |
| Long-term software commitments | 7,132 | - | - | - | - | - | - | - | - | - |
| Installment loans and other | 25 | 62 | 117 | 5,487 | 671 | 1,027 | 1,319 | 1,727 | 150 | 253 |
| | 2,019,297 | 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 |
| Premiums and discounts | 244,077 | 229,155 | 201,858 | 172,757 | 134,213 | 107,074 | 82,980 | 46,320 | 25,849 | 27,956 |
| **Total Long-Term Debt** | 2,263,374 | 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 |
| Less: State debt service commitment for general obligation bonds | (1,700,180) | (1,661,785) | (1,504,995) | (1,303,870) | (1,147,985) | (1,023,985) | (828,795) | (903,550) | (804,310) | (877,492) |
| **Total Long-Term Debt, Net** | $ 563,194 | $ 554,396 | $ 350,748 | $ 338,158 | $ 305,256 | $ 288,704 | $ 275,084 | $ 267,173 | $ 254,340 | $ 265,644 |
| Full-time equivalent students* | 28,646 | 29,424 | 29,220 | 28,832 | 28,134 | 27,461 | 27,036 | 27,240 | 26,686 | 26,705 |
| Outstanding debt per student | $ 19,660 | $ 18,842 | $ 12,004 | $ 11,729 | $ 10,850 | $ 10,513 | $ 10,175 | $ 9,808 | $ 9,531 | $ 9,947 |

**Source: IPEDS (Integrated Postsecondary Education Data System) 12-month Instructional Activity surveys for fiscal years 2010 to 2019, 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 |
|---|---|---|---|---|---|---|---|
| 2019 | $ 53,672 | $ 178,576 | $ (131,889) | $ 46,687 | $ 100,359 | $ (19,017) | 5.28 |
| 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 |

*(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. Beginning in fiscal year 2019, pledged revenues also includes the FIT (Facilities Investment Together) surcharge.*

*(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) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Applications | 34,886 | 34,198 | 35,980 | 34,978 | 31,280 | 27,479 | 29,966 | 27,247 | 22,142 | 21,999 |
| Offers of admission | 17,015 | 16,360 | 17,560 | 18,598 | 15,629 | 14,745 | 13,397 | 12,894 | 11,949 | 10,931 |
| Percent admitted | 49% | 48% | 49% | 53% | 50% | 54% | 45% | 47% | 54% | 50% |
| Enrolled | 3,749 | 3,683 | 3,822 | 3,774 | 3,588 | 3,755 | 3,114 | 3,327 | 3,339 | 3,221 |
| Yield (enrolled/offers) | 22% | 23% | 22% | 20% | 23% | 25% | 23% | 26% | 28% | 29% |
| Total average SAT | 1,306 | 1,294 | 1,233 | 1,233 | 1,234 | 1,233 | 1,226 | 1,216 | 1,221 | 1,212 |

| ENROLLMENT | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-Resident Alien | | | | | | | | | | |
| Male | 2,110 | 2,001 | 1,890 | 1,773 | 1,532 | 1,301 | 1,163 | 1,018 | 924 | 872 |
| Female | 1,917 | 1,847 | 1,665 | 1,462 | 1,277 | 1,077 | 1,012 | 892 | 787 | 725 |
| Black or African American | | | | | | | | | | |
| Male | 944 | 885 | 874 | 813 | 756 | 722 | 723 | 756 | 709 | 673 |
| Female | 1,211 | 1,153 | 1,098 | 1,053 | 1,010 | 981 | 1,017 | 1,007 | 963 | 977 |
| American Indian or Alaska Native | | | | | | | | | | |
| Male | 22 | 16 | 19 | 18 | 18 | 25 | 25 | 28 | 33 | 43 |
| Female | 25 | 27 | 25 | 28 | 27 | 29 | 31 | 40 | 41 | 38 |
| Asian | | | | | | | | | | |
| Male | 1,500 | 1,497 | 1,475 | 1,372 | 1,315 | 1,213 | 1,194 | 1,159 | 1,119 | 1,062 |
| Female | 1,606 | 1,556 | 1,467 | 1,419 | 1,333 | 1,189 | 1,106 | 1,108 | 1,060 | 1,038 |
| Hispanic/Latino | | | | | | | | | | |
| Male | 1,568 | 1,477 | 1,386 | 1,293 | 1,233 | 1,132 | 1,059 | 1,006 | 889 | 790 |
| Female | 2,014 | 1,800 | 1,616 | 1,468 | 1,393 | 1,315 | 1,206 | 1,149 | 1,095 | 983 |
| Native Hawaiian or Other Pacific Islander | | | | | | | | | | |
| Male | 8 | 10 | 8 | 8 | 10 | 8 | 12 | 14 | 11 | * |
| Female | 11 | 13 | 12 | 13 | 13 | 16 | 17 | 14 | 11 | * |
| Two or More Races | | | | | | | | | | |
| Male | 430 | 394 | 364 | 330 | 301 | 258 | 238 | 170 | 96 | * |
| Female | 476 | 464 | 442 | 412 | 408 | 381 | 300 | 197 | 90 | * |
| White | | | | | | | | | | |
| Male | 8,821 | 9,089 | 9,518 | 9,809 | 9,916 | 10,183 | 10,416 | 10,795 | 10,913 | 10,860 |
| Female | 8,983 | 9,361 | 9,581 | 9,789 | 10,022 | 10,102 | 10,209 | 10,641 | 10,763 | 10,940 |
| Total Head Count | 31,646 | 31,590 | 31,440 | 31,060 | 30,564 | 29,932 | 29,728 | 29,994 | 29,504 | 29,001 |
| | | | | | | | | | | |
| Percent female | 51.3% | 51.3% | 50.6% | 50.4% | 50.7% | 50.4% | 50.1% | 50.2% | 50.2% | 50.7% |
| Percent minority | 31.0% | 29.4% | 27.9% | 26.5% | 25.6% | 24.3% | 23.3% | 22.2% | 20.7% | 19.3% |
| Percent non-resident alien | 12.7% | 12.2% | 11.3% | 10.4% | 9.2% | 7.9% | 7.3% | 6.4% | 5.8% | 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**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Undergraduate resident | $ 15,730 | $ 14,880 | $ 14,066 | $ 13,366 | $ 12,700 | $ 12,022 | $ 11,242 | $ 10,670 | $ 10,416 | $ 9,886 |
| Undergraduate non-resident | $ 38,098 | $ 36,948 | $ 35,858 | $ 34,908 | $ 32,880 | $ 30,970 | $ 29,074 | $ 27,566 | $ 26,880 | $ 25,486 |
| Graduate resident | $ 17,660 | $ 16,810 | $ 15,996 | $ 15,296 | $ 14,472 | $ 13,662 | $ 12,786 | $ 12,130 | $ 11,828 | $ 11,226 |
| Graduate non-resident | $ 39,272 | $ 38,122 | $ 37,032 | $ 36,082 | $ 33,944 | $ 31,946 | $ 29,994 | $ 28,438 | $ 27,740 | $ 26,310 |

## DEGREES CONFERRED

**Last Ten Fiscal Years**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Associate | 16 | 21 | 30 | 24 | 20 | 21 | 26 | 25 | 29 | 26 |
| Bachelor's | 5,520 | 5,618 | 5,530 | 5,197 | 5,320 | 5,200 | 5,122 | 5,149 | 4,747 | 4,606 |
| Post-baccalaureate | 392 | 299 | 251 | 229 | 167 | 172 | 140 | 141 | 102 | 134 |
| Master's | 1,895 | 2,048 | 1,904 | 1,750 | 1,713 | 1,636 | 1,527 | 1,573 | 1,475 | 1,438 |
| Sixth-year education | 54 | 51 | 62 | 66 | 69 | 45 | 56 | 79 | 67 | 69 |
| Ph.D. | 642 | 384 | 411 | 379 | 372 | 342 | 340 | 341 | 322 | 309 |
| J.D. | 108 | 89 | 155 | 151 | 156 | 190 | 178 | 204 | 172 | 222 |
| LL.M. | 57 | 42 | 43 | 44 | 31 | 35 | 30 | 30 | 29 | 27 |
| Pharm D. | 92 | 98 | 101 | 99 | 95 | 97 | 94 | 94 | 103 | 100 |
| Total | 8,776 | 8,650 | 8,487 | 7,939 | 7,943 | 7,738 | 7,513 | 7,636 | 7,046 | 6,931 |

*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**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **FACULTY** | | | | | | | | | | |
| Full-time | 1,540 | 1,545 | 1,518 | 1,489 | 1,517 | 1,485 | 1,377 | 1,330 | 1,304 | 1,286 |
| Part-time | 51 | 53 | 32 | 30 | 33 | 34 | 39 | 43 | 43 | 35 |
| Total Faculty | 1,591 | 1,598 | 1,550 | 1,519 | 1,550 | 1,519 | 1,416 | 1,373 | 1,347 | 1,321 |
| Tenured | 858 | 854 | 841 | 848 | 877 | 874 | 848 | 841 | 815 | 777 |
| Percentage tenured | 54% | 53% | 54% | 56% | 57% | 58% | 60% | 61% | 61% | 59% |
| **STAFF** | | | | | | | | | | |
| Full-time | 3,228 | 3,109 | 3,198 | 3,115 | 3,080 | 3,063 | 3,028 | 2,956 | 3,017 | 2,879 |
| Part-time | 150 | 150 | 82 | 158 | 186 | 175 | 180 | 181 | 222 | 210 |
| Total Staff | 3,378 | 3,259 | 3,280 | 3,273 | 3,266 | 3,238 | 3,208 | 3,137 | 3,239 | 3,089 |
| **Total Faculty and Staff** | 4,969 | 4,857 | 4,830 | 4,792 | 4,816 | 4,757 | 4,624 | 4,510 | 4,586 | 4,410 |
| Student to faculty ratio* | 16 to 1 | 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 |
| Full-time and part-time faculty | | | | | | | | | | |
| Female | 42% | 41% | 41% | 41% | 39% | 39% | 40% | 40% | 39% | 38% |
| Minority | 20% | 21% | 23% | 23% | 22% | 22% | 22% | 21% | 20% | 20% |
| Full-time and part-time staff | | | | | | | | | | |
| Female | 57% | 57% | 57% | 57% | 58% | 57% | 58% | 58% | 58% | 58% |
| Minority | 14% | 15% | 17% | 17% | 17% | 17% | 17% | 17% | 15% | 15% |
| Staff covered by collective bargaining agreements | 90% | 90% | 90% | 90% | 91% | 91% | 90% | 91% | 92% | 91% |
| Adjunct lecturers | 732 | 709 | 690 | 679 | 708 | 696 | 686 | 692 | 691 | 648 |

**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**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Academic Buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 2,876 | 2,847 | 2,654 | 2,753 | 2,753 | 2,736 | 2,684 | 2,604 | 2,604 | 2,604 |
| Number of buildings | 160 | 170 | 168 | 171 | 171 | 171 | 171 | 172 | 172 | 172 |
| Auxiliary and Independent Operations Buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 3,638 | 3,859 | 3,753 | 3,277 | 3,336 | 3,279 | 3,279 | 3,396 | 3,430 | 3,430 |
| Number of buildings | 185 | 190 | 189 | 193 | 209 | 213 | 213 | 217 | 220 | 220 |
| Administrative and Support Buildings | | | | | | | | | | |
| Net assignable square feet (in thousands) | 887 | 832 | 852 | 964 | 949 | 949 | 949 | 948 | 948 | 948 |
| Number of buildings | 83 | 83 | 88 | 97 | 96 | 96 | 96 | 95 | 95 | 95 |
| Total Net Assignable Square Feet (in thousands) | 7,401 | 7,538 | 7,259 | 6,994 | 7,038 | 6,964 | 6,912 | 6,948 | 6,982 | 6,982 |
| Total Number of Buildings | 428 | 443 | 445 | 461 | 476 | 480 | 480 | 484 | 487 | 487 |

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



| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential halls* | 101 | 100 | 101 | 115 | 115 | 116 | 117 | 116 | 114 | 114 |
| Residential hall occupancy | 12,712 | 12,597 | 12,699 | 12,723 | 12,711 | 12,668 | 12,469 | 12,716 | 12,546 | 12,378 |
| Percentage of main campus undergraduates in campus housing | 65% | 66% | 67% | 70% | 71% | 72% | 72% | 73% | 74% | 73% |

**Residential halls include houses owned by the University and used for student housing. Beginning in 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) |
|---|---|---|---|---|
| 2019 | 284,136,600,000 | 3,570,160 | 79,587 | 3.8% |
| 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% |



*(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**

| | 2019 | | | |
|---|---|---|---|---|
| **NAME** | **Employees in CT** | **Percentage of Total CT Employment** | **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% | | |

| | 2010 | | | |
|---|---|---|---|---|
| | **Employees in CT** | **Percentage of Total CT Employment** | **Rank** | |
| United Technologies Corp. UTC | 27,050 | 1.6% | 1 | (1) |
| Yale University | 18,004 | 1.0% | 2 | |
| Stop & Shop Cos., Inc. | 13,574 | 0.8% | 3 | |
| Hartford Financial Services | 11,300 | 0.7% | 4 | |
| Wal-Mart Stores Inc. | 9,204 | 0.5% | 5 | |
| Mohegan Sun Casino | 8,800 | 0.5% | 6 | |
| General Dynamics / Electric Boat | 8,200 | 0.5% | 7 | |
| Yale New Haven Hospital | 8,092 | 0.5% | 8 | |
| Foxwoods Resort Casino | 7,672 | 0.4% | 9 | |
| Aetna, Inc. | 7,231 | 0.4% | 10 | |
| Total | 119,127 | 6.9% | | |

*Source: Hartford Business Journal (HBJ)*

*(1) For 2019, includes UTC Aerospace and Pratt & Whitney - Business units of UTC. For 2010, also includes Sikorsky Aircraft.*

*For 2019, the HBJ changed their publication date from August to December. The 2019 values are unchanged from the 2018 schedule.*

UNIVERSITY OF CONNECTICUT
1881