UCONN | UNIVERSITY OF CONNECTICUT

Financial Report

For the Year Ended June 30, 2015

Message from the Executive Vice President for Administration and Chief Financial Officer

I am pleased to present the University of Connecticut's financial report for the fiscal year ended June 30, 2015. Founded in 1881, the University of Connecticut (University) serves as the State of Connecticut's (State) 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 of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (UConn Health). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and State appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

This financial report for the fiscal year ended June 30, 2015 represents the transactions and balances of the University, herein defined as all programs except UConn Health. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of legislation known as the Flexibility Acts enacted in the early 1990s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, and purchasing authority and, with the advent of the UCONN 2000 building program in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University's Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight of the integrity of the University's financial statements and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by the Auditors of Public Accounts. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their audit opinion appears in this report.

The fiscal operations of the University are not an end in themselves—rather, the maintenance of fiscal health and stability serves the ultimate goal of enabling the University to achieve its teaching, research, service and outreach mission. Over the past decade, the growth and diversification of the University's funding streams, combined with the continuing physical transformation through UCONN 2000, have led the University to record enrollments, research success, and significant contributions to the economy of the State.

Through the combined efforts of faculty, staff, alumni, and UConn supporters, the University continues to strive for excellence and over the last few years has improved its educational quality on every level. This ongoing success has attracted higher quality students from across the state, country and internationally. Among its many accomplishments, the University ranks as the top public university in New England and is among the top 25 of public universities in the nation in the annual *U.S. News and World Report America's Best Colleges (2015)*. The University is also 28th *on Kiplinger's Personal Finance* list of 100 Best Values in Public Colleges which ranks schools that combine outstanding education with economic value. Additional highlights during the 2014-15 academic year include the following:

- In fall 2014, 3,588 new freshmen enrolled at the main campus, bringing the total number of undergraduate students to an all-time high of 22,973, including 50% women and 29% minority students. The University ranks 15 out of 58 public research universities in graduation rates for all freshmen and 9 out of 58 for minority freshmen.

- The University is committed to Connecticut students and enrolls 79% of undergraduates who are residents of the State of Connecticut. Additionally, the University provides a tremendous return on investment to our State by awarding 8,080 degrees across all disciplines to highly qualified and educated students who entered into the workforce in 2015.

- Improving the University's financial performance while maintaining its commitment to affordability are high priorities for the University. The University has shown this commitment by providing $336 million in financial aid in fiscal year 2015. Nearly a quarter of UConn undergraduate students received Pell Grants, 46% of students received University financial aid, and 78% receive financial aid for all sources.

- By the end of the fiscal year 2015, the UCONN 2000 capital project program has led to the authorization of 113 major projects totaling $2.6 billion in bond proceeds.

- The total change in net position, excluding the beginning balance for pensions, was a $139.8 million increase in fiscal year 2015 over fiscal year 2014.

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

Respectfully Submitted,

Scott Jordan
Executive Vice President for Administration
and Chief Financial Officer

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN | STATE CAPITOL 210 CAPITOL AVENUE HARTFORD, CONNECTICUT 06106-1559 | ROBERT M. WARD

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 statements of net position as of June 30, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years 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 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 audits. We conducted our audits 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. We did not audit the financial statements of the University of Connecticut Law School Foundation, Inc., a discretely presented component unit of UConn, which represented less than one percent of the assets of UConn as of June 30, 2015 and 2014 and less than one percent of total revenues and support for UConn for the years then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Connecticut Law School Foundation, Inc., is based solely on the reports of the other auditors. The audits of the University of Connecticut Law School Foundation, Inc. were conducted in accordance with auditing standards generally accepted in the United States of America.

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

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

Opinion

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn as of June 30, 2015 and 2014 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 4 through 16 and the Required Supplementary Information on pages 52 through 54 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.

Sincerely,

Robert M. Ward
Auditor of Public Accounts

John C. Geragosian
Auditor of Public Accounts

December 31, 2015
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. The MD&A, which is unaudited, includes an analysis of the financial position and results of activities of the University of Connecticut (University, as defined below) for the fiscal year ended June 30, 2015, based on currently known facts, decisions, or conditions. It also includes selected comparative information for the fiscal years ended June 30, 2014 and 2013. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

Founded in 1881, the University of Connecticut serves as the State of Connecticut's (State) flagship 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 of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (UConn Health). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and State appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

The financial report for the fiscal year ended June 30, 2015 represents the transactions and balances of the University, herein defined as all programs except UConn Health. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work. The University of Connecticut Law School Foundation, Inc. (Law School Foundation) is discretely presented as a component unit of the University (see Note 1). For the purposes of this MD&A, the Law School Foundation is excluded.

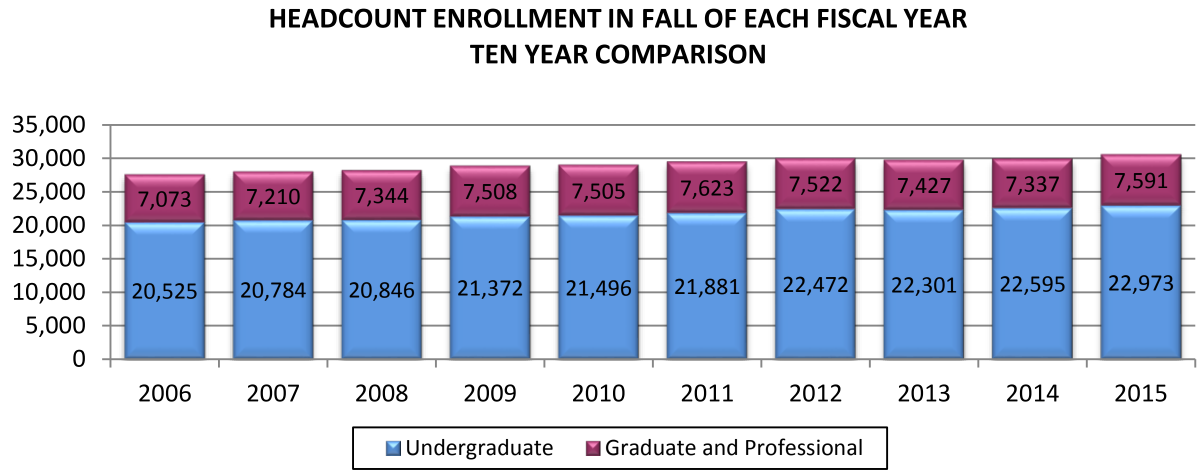
FINANCIAL HIGHLIGHTS

For fiscal year 2015, the University adopted new accounting standards that significantly changed its accounting polices related to pensions. The new standards address accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and require that the University report a pension liability and related deferred outflows and deferred inflows for the first time. The purpose of these standards is to improve pension information and increase transparency, consistency, and comparability of pension information across governments. It was not feasible to restate financial information for fiscal years 2014 and 2013 with respect to these new accounting policies. As a result, the cumulative effect of applying the new reporting standards is reported as a restatement of beginning net position of $577.6 million for the year ended June 30, 2015 (see Note 1).

Total combined assets and deferred outflows of resources increased $485.4 million and total combined liabilities and deferred inflows of resources increased $923.1 million in fiscal year 2015. The majority of the changes are due to the implementation of the new pension accounting standards along with newly issued debt under the UCONN 2000 program (see Note 5).

Operating revenues, which exclude State support, continue to exhibit strength during fiscal year 2015, reflecting an overall increase of $46.2 million (6.9%) over fiscal year 2014. The University's largest operating revenue, student tuition and fees (net of scholarship allowances) increased $28.6 million (10.2%) in fiscal year 2015, which is both driven by enrollment growth and increases as shown below:

- The University's total enrollment grew to 30,564 students in fiscal year 2015, a 10.7% increase since 2006.
- Undergraduate enrollment at the University reached a record 22,973 students in fiscal year 2015, 1.7% more than fiscal year 2014.
- Graduate and professional enrollment totaled 7,591, a 3.5% increase over fiscal year 2014.
- In-state tuition and mandatory fee increases of 5.6% and an out-of-state increase of 6.2% were approved for fiscal year 2015 for undergraduate students.
- Graduate tuition and mandatory fees also increased 5.9% for in-state and 6.3% for out-of-state.



Total operating expenses increased $62.8 million (5.7%) over fiscal year 2014 which were driven by a rise in salary and fringe related costs. Therefore, the University experienced an operating loss of $447.2 million for the year ended June 30, 2015 as compared to $430.6 million for the year ended June 30, 2014, and $367.9 million for the year ended June 30, 2013. Operating loss does not include State support. For public institutions, income or loss before other changes in net position, which includes revenue from the State appropriation, is more indicative of normal and recurring activities. Overall, the University experienced a loss before other changes in net position of $73.1 million in fiscal year 2015 as compared to $105.7 million and $64.6 million for fiscal years 2014 and 2013, respectively.

ECONOMIC OUTLOOK

The State's budget difficulties continue to pose many fiscal challenges for the University's operations and hinder its ability to achieve long-term goals. State funding is critical to the University's finances as it provides approximately 31% of overall revenue. In recent years, the University has mitigated modest reductions in State appropriations through institutional cost-cutting and by reallocating one-time funds, while at the same time working to protect the academic core. Significant reductions in State funding are expected for upcoming fiscal years, resulting in more spending reductions, tuition and fee increases, and other cost-cutting measures necessary to mitigate against this. As always, the University's focus will be on carrying out the Academic Plan, funding key academic priorities in support of teaching and research, and delivering its high standard of service to its students, faculty, staff, and the citizens of the State.

The University's Academic Plan pursues excellence in five key areas over the next decade: research and scholarship, undergraduate education, graduate education, teaching effectiveness, and public engagement. This plan provides a blueprint during this pivotal time as key investments are planned through the Next Generation Connecticut initiative (see below) and the development of the UConn Technology Park (Tech Park), and its partnerships with industry and researchers.

The Next Generation Connecticut initiative greatly expands educational opportunities, research, and innovation in the science, technology, engineering, and math disciplines at the University over the next decade. The commitment to Next Generation Connecticut is a shared fiduciary responsibility with the State. Proposed capital and operating funding for Next Generation Connecticut will be allocated incrementally between fiscal years 2015 and 2024. Additionally, the University will commit significant institutional resources to launch Next Generation Connecticut and support the academic program components. Future operating funds for Next Generation Connecticut beyond fiscal year 2015 are subject to the annual appropriations approval process. The total State request for operating funds by fiscal year 2024 is $137.0 million. Certain goals and objectives of the 10-year plan include hiring new research and teaching faculty, increasing enrollment of undergraduate students at the Storrs and regional campuses, upgrading aging infrastructure to accommodate new faculty and students, and relocating the University's Greater Hartford campus.

The UConn Tech Park, to be built on the Storrs campus, continues to evolve and is a critical component of the State's plan to stimulate long-term economic growth by supporting innovation, new technologies and the creation of new companies and sustainable jobs. Public Act (PA) No. 11-57, as amended by PA 14-98, authorized $169.5 million of State General Obligation Bonds to develop the inaugural building for the Tech Park, the Innovation Partnership Building (IPB), and related infrastructure. The IPB will consist of approximately 115,000 square feet and be outfitted with agile and flexible-use laboratories. These laboratories will feature specialized equipment to support the collaborative research and development activities of industry and entrepreneurial partners. Areas of emphasis will include advanced manufacturing, cyber-infrastructure, pharmaceuticals, biotechnology, and related fields to build opportunities for industry and attract federal support for technology innovation. The goal for the Tech Park is not just to attract partnerships and faculty from the region, but to draw innovative companies and researchers to Storrs from around the globe.

FINANCIAL STATEMENTS

The University's financial report includes three basic financial statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. In addition, the following elements are included with these general-purpose financial statements: Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information. These statements and required supplemental information are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The financial statements reflect budget execution results consistent with operating budgets and spending plans approved by the University's Board of Trustees. The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format.

STATEMENTS OF NET POSITION

The following table shows condensed Statements of Net Position at June 30 (in millions):

	2015	2014	2013
Current assets	$ 816.8	$ 653.8	$ 499.7
Noncurrent assets			
State debt service commitment	1,050.5	931.7	751.0
Investments	14.7	12.3	10.6
Property and equipment, net	1,506.4	1,468.8	1,474.6
Other	12.0	12.0	11.8
Total assets	$3,400.4	$3,078.6	$2,747.7
Deferred outflows of resources	$ 171.1	$ 7.5	$ 17.9
Current liabilities	$ 467.2	$ 429.0	$ 296.3
Noncurrent liabilities			
Long-term debt and bonds payable	1,335.0	1,202.3	1,008.8
Pension liabilities	726.1	-	-
Other	19.1	19.5	21.1
Total liabilities	$2,547.4	$1,650.8	$1,326.2
Deferred inflows of resources	$ 26.5	$ -	$ -
Net investment in capital assets	$1,207.9	$1,187.6	$1,217.4
Restricted	219.0	116.9	68.5
Unrestricted	(429.3)	130.8	153.5
Total net position	$ 997.6	$1,435.3	$1,439.4

The Statements of Net Position present 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, June 30. The Statements of Net Position are a point in time financial statement – a snapshot – and a measure of the financial condition of the University. These statements present end-of-year data 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. Net position represents assets, plus deferred outflows, less liabilities, less deferred inflows. 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 are 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, while a deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

The Statements of Net Position demonstrate the assets available to continue the operations of the University. The University's net position is the residual value in the University's 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.

Total assets and deferred outflows of resources increased $485.4 million in fiscal year 2015 over 2014 as compared to an increase of $320.4 million in fiscal year 2014 over 2013. The rise was primarily due to the following:

- Due from State of Connecticut increased $119.7 million ($3.4 million decrease in fiscal year 2014) primarily due to the capital allocation from the State for the Tech Park (see Note 13).

- State debt service commitment increased $126.2 million ($195.9 million in fiscal year 2014) due to the issuance of new debt offset by principal payments and refundings (see Note 5).

- Property and equipment, net increased $37.5 million ($5.7 million decrease in fiscal year 2014) due to a large number of capital projects that were initiated and in progress in fiscal year 2015 (see Note 4).

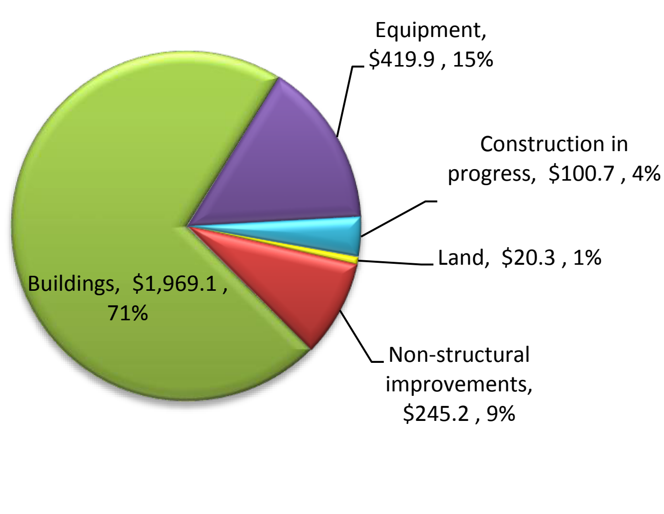
- Deferred outflows of resources increased $163.6 million ($10.5 million decrease in fiscal year 2014), primarily the result of the adoption of new pension accounting standards (see Notes 1 and 6).

Total liabilities and deferred inflows of resources increased $923.1 million in fiscal year 2015 over 2014 as compared to an increase of $324.5 million in fiscal year 2014 over 2013. The rise was primarily due to $726.1 million in pension liabilities and $26.5 million in deferred inflows of resources relating to the adoption of new pension accounting standards (see Notes 1 and 6). The increase was also due to newly acquired debt of $292.0 million ($469.9 million in fiscal year 2014) offset by retirements and refundings of debt on existing bonds and loans of $151.4 million ($261.1 million in fiscal year 2014). The combination of the increase in total assets and deferred outflows of $485.4 million and total liabilities and deferred inflows of $923.1 million yielded a decrease in total net position of $437.8 million ($4.1 million in fiscal year 2014). The significant decrease in net position for fiscal year 2015 also includes a reduction of $577.6 million to beginning net position for the cumulative effect of applying the new pension standards. No such reduction occurred in fiscal year 2014. The total change in net position, excluding the beginning balance adjustment for pensions, was a $139.8 million increase in fiscal year 2015.

Capital and Debt Activities

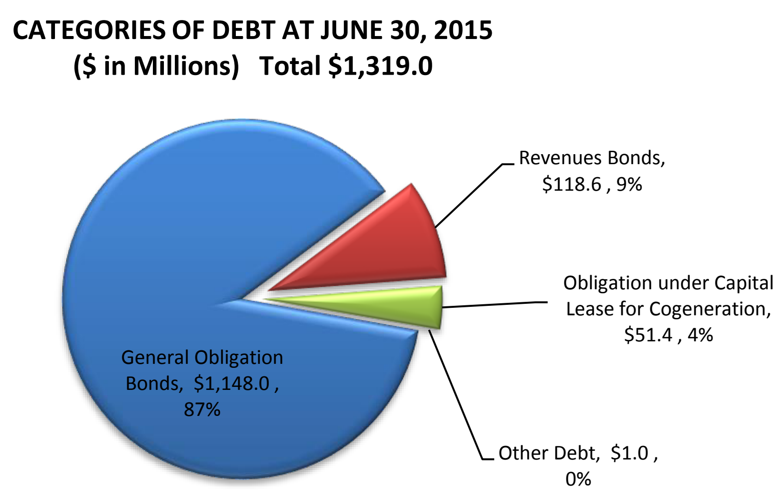
During fiscal year 2015, the University recorded additions to property and equipment totaling $135.9 million ($90.8 million and $136.1 million in fiscal years 2014 and 2013, respectively) of which $100.5 million related to buildings and construction in progress ($71.7 million and $110.9 million in fiscal years 2014 and 2013, respectively). The growth of the University's property and equipment is a direct result of the successful UCONN 2000 program (see following page). The following pie chart presents the total property and equipment at cost:

TOTAL PROPERTY AND EQUIPMENT AT COST AT JUNE 30, 2015
($ in Millions) Total $2,755.2



PA No. 95-230 enabled the University to borrow money in its own name for a special ten year capital improvement program (UCONN 2000) which was designed to modernize and expand the physical plant of the University. As amended, it provides for a twenty-nine year capital budget program in three phases for the University and UConn Health, estimated to cost $4.6 billion. The UCONN 2000 Act was originally adopted in 1995 to authorize and finance Phase I and Phase II projects at the University. It was amended in 2002, to add Phase III projects, and again in fiscal years 2010 and 2011 which extended the UCONN 2000 program for two more years and increased the estimated cost for certain UConn Health projects. In June 2013, the General Assembly of the State of Connecticut enacted and the Governor signed into law PA No. 13-233, An Act Concerning Next Generation Connecticut, which increased the authorized bond funding by $1.6 billion, including funds for UConn Health, and extended UCONN 2000 for an additional six fiscal years to 2024.

In fiscal year 2015, the University issued UCONN 2000 general obligation bonds with a combined face value of $254.8 million ($425.9 million in fiscal year 2014) of which $159.8 million was committed to UConn Health for its UCONN 2000 projects (see Note 5). 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 (State debt service commitment in the accompanying Statements of Net Position). When bonds are issued, the amount of the commitment for UConn Health is reflected as a liability by the University. The following chart illustrates the categories of debt as of June 30, 2015, exclusive of premiums and discounts:



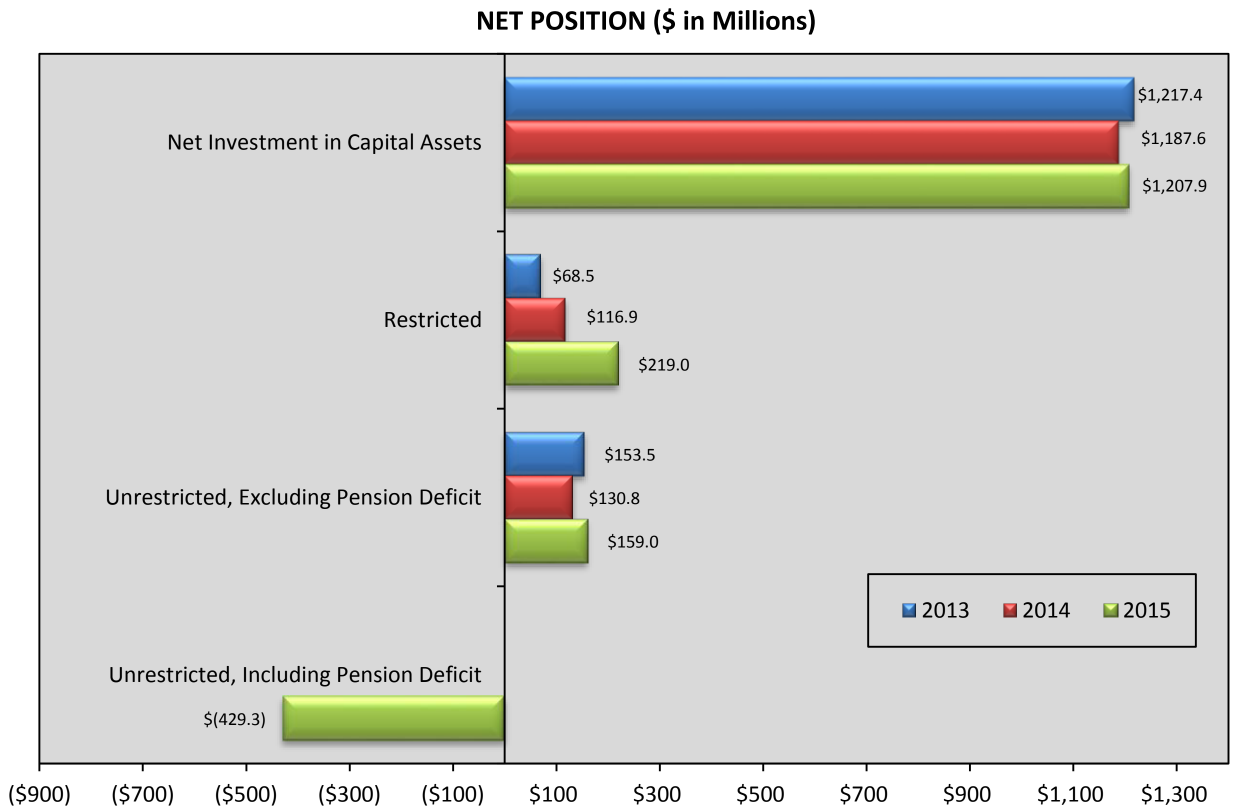
See Notes 4 and 5 of the financial statements for further information on capital and debt activities.

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 in the University's Statements of Net Position this amount represents endowment assets. Expendable restricted net position is available for expenditure by the institution, but must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted net position. Unrestricted net position is defined by GASB to include funds not restricted by third-parties, including unrestricted current funds, retirement of indebtedness funds, and plant funds. Unrestricted net position 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. However, GASB prohibits a breakout of assigned unrestricted funds on the face of the Statements of Net Position. Unrestricted funds are available to the University for any lawful purpose of the institution. For the most part all unrestricted funds are assigned to academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

The University incurred a significant decrease in unrestricted net position due to the adoption of new pension accounting and reporting standards in fiscal year 2015. The graph on the following page shows a comparison between fiscal years by category in net position. In addition, the unrestricted net position has been divided into two categories to show the impact of the new pension standards.



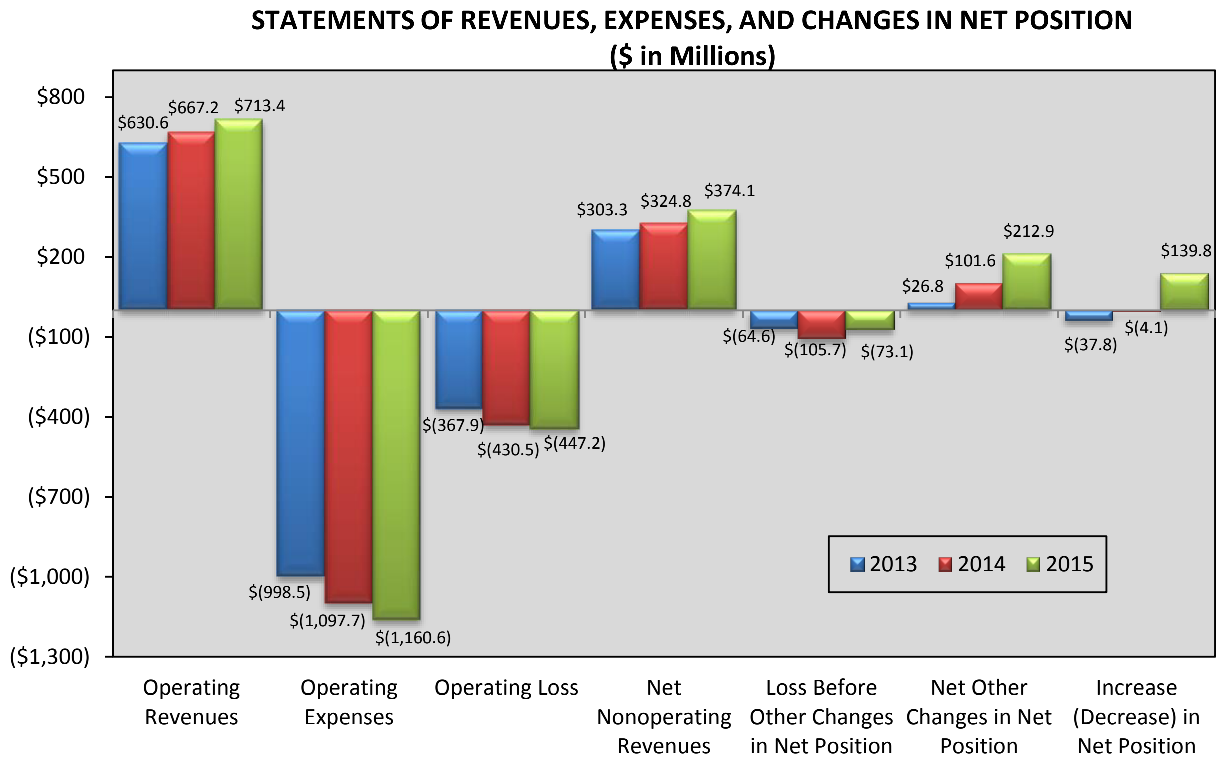
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include State appropriation for general operations, State debt service commitment for interest, noncapital gifts, and short-term investment income. By its very nature, a State funded institution does not receive tuition, fees, and room and board revenues sufficient to support the operations of the University. Therefore, these nonoperating revenues are essential to the programs and services provided by the University. Unless a significant increase in tuition and fees and room and board revenues occurs, the University will always show a loss from operations.

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

	2015	2014	2013
Operating revenues	$ 713.4	$ 667.2	$ 630.6
Operating expenses	1,160.6	1,097.7	998.5
Operating loss	(447.2)	(430.5)	(367.9)
Net nonoperating revenues	374.1	324.8	303.3
Loss before other changes in net position	(73.1)	(105.7)	(64.6)
Net other changes in net position	212.9	101.6	26.8
Increase (decrease) in net position	$ 139.8	$ (4.1)	$ (37.8)

While the Statements of Net Position present the financial condition at a point in time, the Statements of Revenues, Expenses, and Changes in Net Position represent the activity for a period of time – one year. These statements present either an increase or decrease in net position based on the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.



Generally, operating revenues are earned when providing goods and services to the various customers of the University. Operating expenses are incurred in the normal operation of the University and represent those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Operating expenses also include the provision for estimated depreciation and amortization of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss. The University typically experiences an operating loss each year because State appropriation is not included as operating income.

Nonoperating revenues are revenues received for which goods and services are not provided, including State appropriation and State debt service commitment for interest. Such revenues are provided by the State to the University without the State directly receiving commensurate goods and services in exchange for those revenues. Nonoperating revenues (expenses) also include noncapital gifts, investment income, interest expense, and other expenses not considered operating expenses.

Other changes in net position are comprised of the State's debt service commitment for principal payments on general obligation bonds used for capital purposes, capital allocation, capital grants and gifts, the disposal of property and equipment, and additions to permanent endowments. The Statements of Revenues, Expenses, and Changes in Net Position reflect an increase in net position of $139.8 million in fiscal year 2015 and decreases in net position of $4.1 million in fiscal year 2014 and $37.8 million in fiscal year 2013.

Revenues

Revenue highlights, for fiscal years 2015 and 2014 and comparison between fiscal years, including operating and nonoperating revenues and other changes in net position, are as follows:

- Student tuition and fees, net of scholarship allowances, increased 10.2% in fiscal year 2015 (6.9% in fiscal year 2014). The increase in fiscal year 2015 was due in part to a 5.6% increase (5.8% in fiscal year 2014) for undergraduate in-state tuition and mandatory fees, a 6.2% increase (6.1% in fiscal year 2014) for undergraduate out-of-state tuition and mandatory fees, and an increase of 1.7% in undergraduate enrollment (1.3% in fiscal year 2014). Increased fee revenue was also attributed to an increase in enrollment for summer session programs as well as graduate business programs.

- Total grants and contracts increased $8.2 million (5.1%) in fiscal year 2015 ($2.8 million or 1.8% in fiscal year 2014) primarily due to an increase in state and local grant aid as well as private foundation grants.

- Sales and services of auxiliary enterprises, net of scholarship allowances, increased approximately 2.8% and 5.6% during fiscal years 2015 and 2014, respectively. The increase in fiscal year 2015 resulted from an increase in fees charged for both room and board of 3.0% for undergraduate students. The increase in fiscal year 2014 resulted from an increase in fees charged for both room and board of 3.0% for undergraduate combined with an increase in room occupancy of 2.0% over fiscal year 2013.

- The largest source of nonoperating revenue, State appropriation including fringe benefits, increased $42.6 million in fiscal year 2015 compared to $19.6 million in fiscal year 2014. The State appropriation increase was primarily due to additional funds for the Next Generation Connecticut initiative, collective bargaining increases and an increase in payments for fringe benefits. However, the increase was less than expected due to rescissions of $11.5 million in fiscal year 2015 and $1.2 million in fiscal year 2014.

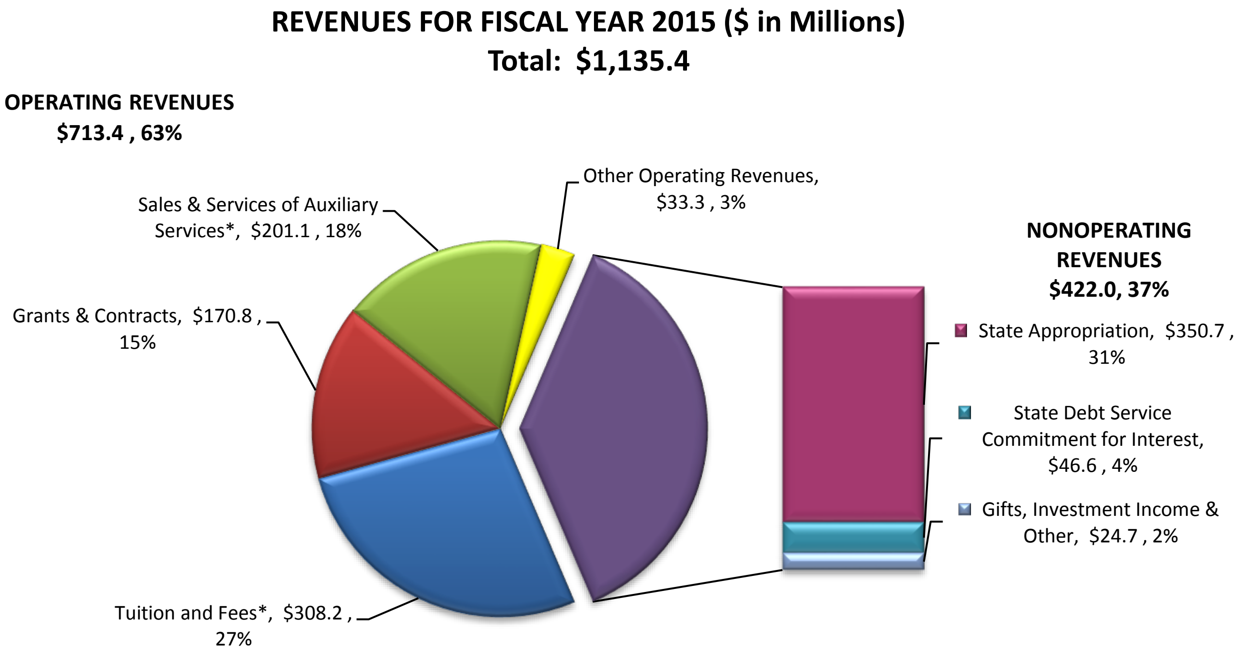
- The State also provides State debt service commitment for the interest payments made annually on general obligation bonds. State debt service commitment for interest revenue is included with nonoperating revenues and corresponds to the total interest paid and accrued on general obligation bonds. Effectively, this revenue offsets a significant portion of interest expense each year. Also, as general obligation bonds are issued (see Note 5) the State commits to the repayment of the future principal amounts and a receivable is recorded on the Statements of Net Position to reflect this commitment. This results in revenue that is recorded in other changes in net position that totaled $56.4 million and $80.3 million in fiscal years 2015 and 2014, respectively. Included in other changes in net position, the State also allocated $131.5 million to finance construction for Tech Park in fiscal year 2015 (see Note 13).

- Gift revenue, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and the Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These gifts, including capital gifts, received by the University from both foundations in fiscal years 2015 totaled approximately $25.9 million compared to $39.6 million in fiscal year 2014. On a combined basis, both Foundations also paid approximately $4.0 million in fiscal year 2015 ($3.8 million in fiscal year 2014) to third parties on behalf of the University. This amount is not reflected in the University's financial statements. Total nonoperating gifts and capital grants revenue to the University from all sources amounted to $49.2 million and $43.3 million in fiscal years 2015 and 2014, respectively.

The following table summarizes operating and nonoperating revenues and other changes in net position for the fiscal years ended June 30 (in millions):

	2015	2014	2013
Operating revenues:			
Student tuition and fees, net	$ 308.2	$ 279.6	$ 261.7
Grants and contracts	170.8	162.6	159.8
Sales and services of educational departments	21.0	19.3	15.8
Sales and services of auxiliary enterprises, net	201.1	195.5	185.2
Other sources	12.3	10.2	8.1
Total operating revenues	713.4	667.2	630.6
Nonoperating revenues:			
State appropriation	350.7	308.1	288.4
State debt service commitment for interest	46.6	42.1	40.6
Gifts	23.8	21.7	20.0
Investment income	0.9	0.8	0.9
Other nonoperating revenue, net	-	-	0.4
Total nonoperating revenues	422.0	372.7	350.3
Other changes in net position:			
State debt service commitment for principal	56.4	80.3	-
Capital allocation	131.5	-	20.0
Capital grants and gifts	25.4	21.6	6.7
Disposal of property and equipment, net and additions to permanent endowments	0.1	0.7	0.1
Total other changes in net position	213.4	102.6	26.8
Total revenues	$ 1,348.8	$ 1,142.5	$ 1,007.7

Revenues, excluding other changes in net position, come from a variety of sources and are illustrated in the following graph:



**Revenues are shown net of scholarship allowances of $137.6 million.*

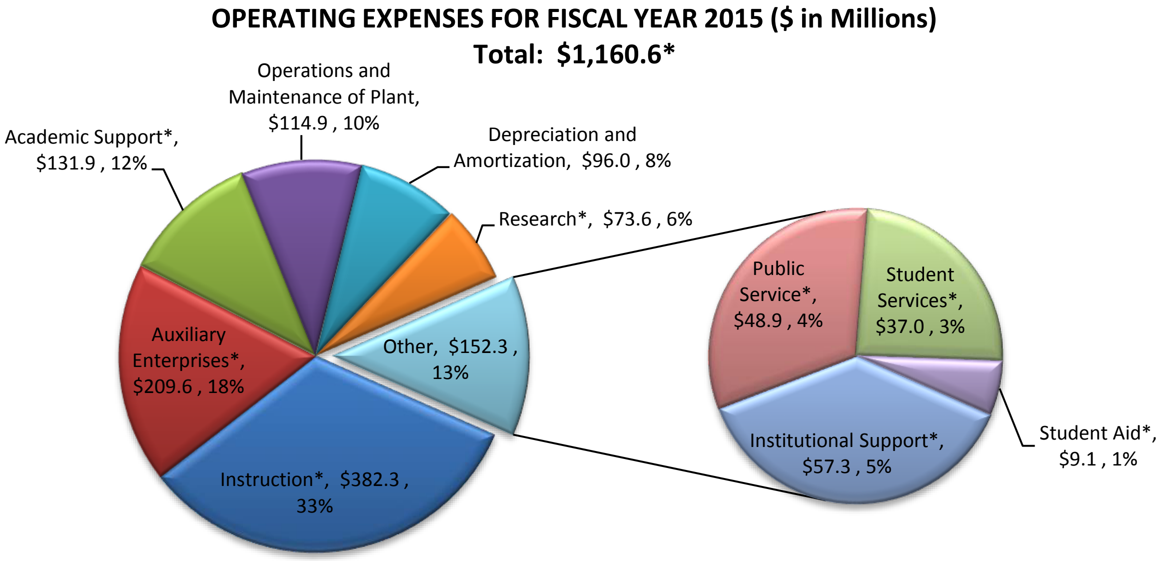
Expenses

Operating expenses are classified by function in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. These functions directly contribute to the major mission of the University. The following table summarizes operating and nonoperating expenses and other changes in net position for the fiscal years ended June 30 (in millions):

	2015	2014	2013
Operating expenses:			
Instruction	$ 382.3	$ 353.3	$ 302.2
Research	73.6	79.5	74.9
Academic support	131.9	125.5	117.7
Operations and maintenance of plant	114.9	105.1	95.0
Auxiliary enterprises	209.6	196.9	186.1
Depreciation and amortization	96.0	95.4	91.7
Other	152.3	142.0	130.9
Total operating expenses	1,160.6	1,097.7	998.5
Nonoperating expenses:			
Interest expense	46.4	46.0	47.0
Other nonoperating expense, net	1.5	1.9	-
Total nonoperating expenses	47.9	47.9	47.0
Other changes in net position:			
Disposal of property and equipment, net	0.5	1.0	-
Total other changes in net position	0.5	1.0	-
Total expenses	$ 1,209.0	$ 1,146.6	$ 1,045.5

Instruction is the University's largest operating expense, representing 32.9% of total operating expenses in fiscal year 2015 (32.2% in fiscal year 2014 and 30.3% in fiscal year 2013). Other expenses under operating include public service, student services, institutional support, and aid paid to students after tuition, fees, and room and board are applied. Institutional support, which represents 5.0% of total operating expenses in fiscal years 2015 and 2014, contains the University's general administrative costs but also includes fundraising, public relations and development activities.

The following graph depicts total operating expenses by function:



**Expenses are shown net of scholarship allowances of $137.6 million.*

The University's operating expenses by natural classification are shown below:

	2015	2014	2013
Operating expenses:			
Salaries and wages	$ 542.1	$ 521.1	$ 482.7
Fringe benefits	271.2	237.7	190.6
Supplies and other expenses	228.1	222.6	213.8
Utilities	23.2	20.9	19.7
Depreciation and amortization	96.0	95.4	91.7
Total operating expenses	$ 1,160.6	$ 1,097.7	$ 998.5

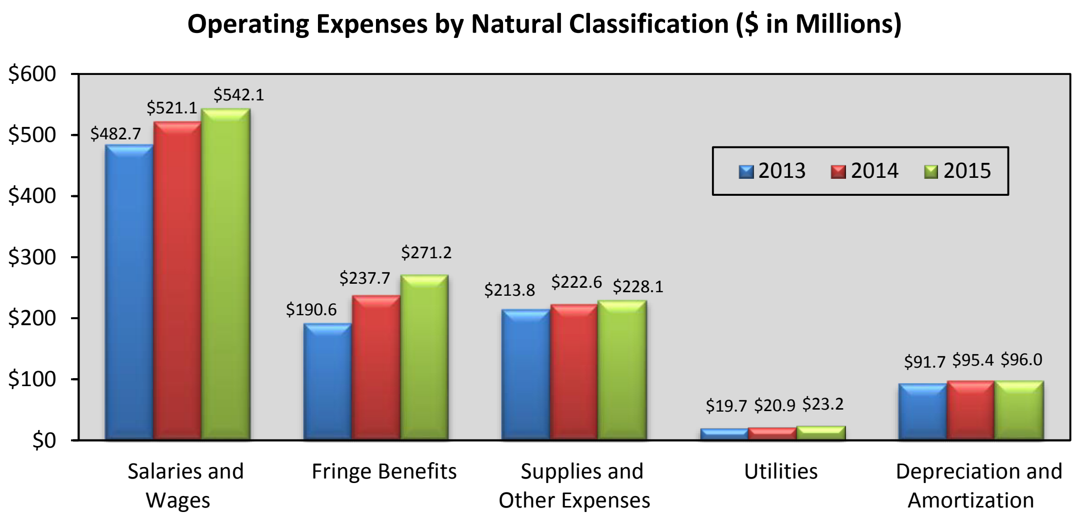
Total operating expenses were $1,160.6 million and $1,097.7 million in fiscal years 2015 and 2014, respectively. Highlights of expenses by natural classification for fiscal years 2015 and 2014 and comparison between fiscal years are as follows:

- As demonstrated in the table above, salaries and wages with fringe benefits account for over half of the University's operating costs. Combined expenses for salaries and fringe benefits increased $54.5 million (7.2%) over fiscal year 2014 compared to an $85.6 million (12.7%) increase over fiscal year 2013. This was due in part to an average compensation increase of 4.5% for collective bargaining units, increases attributable to the new pension accounting standards, as well as increases in fringe benefit costs for employee transfers from the Alternate Retirement Plan to the Hybrid Plan (see Note 6). In addition, full-time equivalent faculty and staff also increased 1.1%. Full-time faculty members increased by 32 faculty over fiscal year 2014 (108 over fiscal year 2013), primarily a result of the faculty hiring initiative to reduce the student to faculty ratio. These factors drove the majority of the increases in instruction, academic support, public service, institutional support, and auxiliary enterprises. The increase over 2013 was attributed to an average compensation increase for collective bargaining units of approximately 5%, an increase of 3.5% in full-time equivalent faculty and staff, along with a rise in state-mandated fringe benefit rates related to the State's defined benefit plan.

- Supplies and other expenses increased $5.5 million (2.5%) primarily attributable to increases in expenses for operations and maintenance of plant and auxiliary enterprises, offset in part by decreases in research activity and institutional support. Specific items include changes made to the University's capitalization threshold for construction projects that resulted in significant increases in operations and maintenance expenses related to new and ongoing projects. The increase in auxiliary enterprises is attributable to asset impairment losses during fiscal year 2015 (see Note 4). Supplies and other expenses increased $8.8 million (4.1%) in fiscal year 2014 over 2013 due to increases in instructional program expenses, research activity, student aid issued directly to students, and the write-off of consumable inventory as a result of a change in accounting policy.

- Utilities increased $2.2 million (10.7%) in fiscal year 2015 compared to a $1.2 million (6.3%) increase in fiscal year 2014. The change in the current year was primarily due to a need to purchase more electricity from external providers to support Cogeneration plant operations combined with a rise in gas costs attributed to increased transportation costs passed through from the provider. Oil costs were also higher by 13.9% in fiscal year 2015 due to a significant increase in consumption that was triggered by the Cogeneration plant being forced to switch from gas to oil for a longer period of time during the winter compared to the prior year.

- Total property and equipment subject to depreciation in fiscal year 2015 increased $82.0 million ($131.8 million in fiscal year 2014) which attributed to an increase of $0.6 million ($3.7 million in fiscal year 2014) in depreciation and amortization expense.



STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present detailed information about the cash activity of the University during the year. The first section of these statements, cash flows from operating activities, will always be different from the operating loss amount on the Statements 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 Statements of Revenues, Expenses, and Changes in Net Position. These statements show revenues and expenses when incurred, not necessarily when cash is received or used. The Statements of Cash Flows, on the other hand, show cash inflows and outflows without regard to accruals. The Statements of Cash Flows have four additional sections including: cash flows from noncapital financing activities including State appropriation, gifts and other nonoperating revenues and expenses; cash flows from capital financing activities that reflect the cash received and used by the University for financing, principally capital in nature, capital grants and gifts, and State debt service commitments for principal and interest; cash flows from investing activities showing the purchases, proceeds and interest received from investing activities; and a reconciliation of operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net Position to net cash used in operating activities. The following table shows condensed Statements of Cash Flows for the years ended June 30 (in millions):

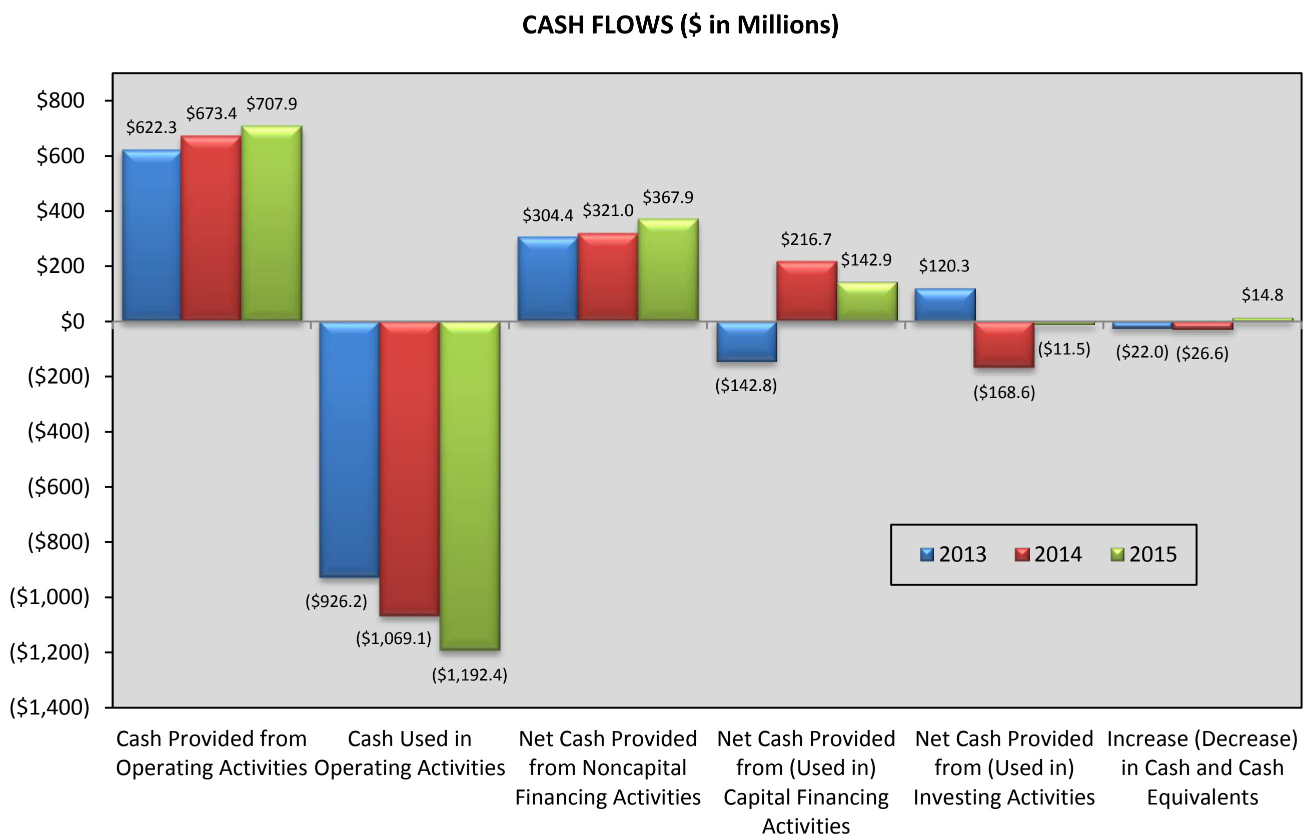
	2015	2014	2013
Cash provided from operating activities	$ 707.9	$ 673.4	$ 622.3
Cash used in operating activities	(1,192.4)	(1,069.1)	(926.2)
Net cash used in operating activities	(484.5)	(395.7)	(303.9)
Net cash provided from noncapital financing activities	367.9	321.0	304.4
Net cash provided from (used in) capital financing activities	142.9	216.7	(142.8)
Net cash provided from (used in) investing activities	(11.5)	(168.6)	120.3
Net increase (decrease) in cash and cash equivalents	$ 14.8	$ (26.6)	$ (22.0)

Net cash used in operating activities was $484.5 million and $395.7 million in fiscal years 2015 and 2014, respectively, and is consistent with the operating loss discussed earlier after adding back depreciation and amortization, a noncash expense. GASB requires that cash flows from noncapital financing activities include State appropriation and noncapital gifts. Cash flows from these activities totaled $367.9 million in fiscal year 2015 ($321.0 million in fiscal year 2014), a $46.9 million increase over fiscal year 2014 ($16.6 million over fiscal year 2013).

Cash flows provided from capital financing activities was $142.9 million and $216.7 million in fiscal years 2015 and 2014, respectively. The major difference between fiscal years 2015 and 2014 was a decrease in bond proceeds of $59.0 million in fiscal year 2015 ($309.0 million increase in fiscal year 2014) in addition to an increase in the amount of purchases of property and equipment of $11.4 million ($30.1 million decrease in fiscal year 2014) and a decrease in capital grants and gifts received of $7.1 million ($15.1 million increase in fiscal year 2014).

Net cash used in investing activities was $11.5 million in fiscal year 2015 and $168.6 million in fiscal year 2014. The major difference between fiscal years 2015 and 2014 was attributed to a decrease of $59.0 million in bond proceeds that were received in fiscal year 2015 as compared to an increase of $309.0 million in fiscal year 2014 which were invested in the deposit with bond trustee.

Total cash and cash equivalents increased $14.8 million in fiscal year 2015 and decreased $26.6 million in fiscal year 2014 as a result of these activities. The following bar graph shows the cash flows provided from and used in major categories and as described in the preceding paragraphs:



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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
STATEMENTS OF NET POSITION
As of June 30, 2015 and 2014

($ in thousands)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 231,522	$ 216,759
Accounts receivable, net	44,490	42,239
Student loans receivable, net	2,088	2,018
Due from State of Connecticut	191,182	71,504
Due from related agencies	2,847	-
State debt service commitment	114,840	107,401
Inventories	982	817
Deposit with bond trustee	221,928	209,621
Prepaid expenses and other assets	6,962	3,411
Total Current Assets	816,841	653,770
Noncurrent Assets		
Cash and cash equivalents	1,429	1,432
Investments	14,661	12,264
Student loans receivable, net	10,649	10,609
State debt service commitment	1,050,470	931,745
Property and equipment, net	1,506,382	1,468,854
Total Noncurrent Assets	2,583,591	2,424,904
Total Assets	3,400,432	3,078,674
DEFERRED OUTFLOWS OF RESOURCES	171,080	7,452
LIABILITIES		
Current Liabilities		
Accounts payable	90,514	66,903
Unearned revenue	33,162	29,433
Deposits held for others	2,804	2,745
Wages payable	49,710	45,717
Compensated absences	27,464	25,810
Due to State of Connecticut	27,598	22,145
Due to affiliate (see Note 5)	80,294	91,429
Current portion of long-term debt and bonds payable	118,198	110,408
Other current liabilities	37,418	34,379
Total Current Liabilities	467,162	428,969
Noncurrent Liabilities		
Compensated absences	7,633	8,146
Long-term debt and bonds payable	1,335,043	1,202,281
Refundable for federal loan program	11,461	11,370
Pension liabilities (see Note 6)	726,099	-
Total Noncurrent Liabilities	2,080,236	1,221,797
Total Liabilities	2,547,398	1,650,766
DEFERRED INFLOWS OF RESOURCES	26,515	-
NET POSITION		
Net investment in capital assets	1,207,892	1,187,602
Restricted nonexpendable	13,091	13,546
Restricted expendable		
Research, instruction, scholarships and other	19,334	15,465
Loans	2,533	2,482
Capital projects	184,023	85,447
Unrestricted (see Note 1)	(429,274)	130,818
Total Net Position	$ 997,599	$ 1,435,360

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014

($ in thousands)

	2015	2014
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of $134,279 for 2015 and $123,312 for 2014. See Note 1.)	$ 308,174	$ 279,577
Federal grants and contracts	118,383	118,492
State and local grants and contracts	31,931	29,512
Nongovernmental grants and contracts	20,535	14,619
Sales and services of educational departments	21,028	19,280
Sales and services of auxiliary enterprises (Net of scholarship allowances of $3,338 for 2015 and $3,213 for 2014. See Note 1.)	201,066	195,525
Other sources	12,263	10,168
Total Operating Revenues	713,380	667,173
OPERATING EXPENSES		
Educational and general		
Instruction	382,256	353,251
Research	73,596	79,484
Public service	48,884	41,919
Academic support	131,914	125,557
Student services	36,955	36,787
Institutional support	57,330	54,484
Operations and maintenance of plant	114,889	105,148
Depreciation and amortization	95,990	95,377
Student aid	9,127	8,796
Auxiliary enterprises	209,633	196,935
Total Operating Expenses	1,160,574	1,097,738
Operating Loss	(447,194)	(430,565)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	350,699	308,069
State debt service commitment for interest	46,635	42,091
Gifts	23,828	21,703
Investment income	889	799
Interest expense	(46,420)	(45,955)
Other nonoperating expenses, net	(1,540)	(1,873)
Net Nonoperating Revenues	374,091	324,834
Loss Before Other Changes in Net Position	(73,103)	(105,731)
OTHER CHANGES IN NET POSITION		
State debt service commitment for principal	56,430	80,346
Capital allocation	131,500	(20)
Capital grants and gifts	25,412	21,643
Disposal of property and equipment, net	(473)	(1,043)
Additions to permanent endowments	66	743
Net Other Changes in Net Position	212,935	101,669
Increase (Decrease) in Net Position	139,832	(4,062)
NET POSITION		
Net Position-beginning of year	1,435,360	1,439,422
Prior year adjustment for pensions (see Note 1)	(577,593)	-
Net Position-beginning of year, adjusted	857,767	1,439,422
Net Position-end of year	$ 997,599	$ 1,435,360

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

($ in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 301,682	$ 277,809
Grants and contracts	168,978	163,893
Sales and services of auxiliary enterprises	202,887	197,202
Sales and services of educational departments	20,841	19,623
Payments to suppliers and others	(407,836)	(326,090)
Payments to employees	(538,324)	(514,970)
Payments for benefits	(243,790)	(225,325)
Loans issued to students	(2,500)	(2,763)
Collection of loans to students	2,367	2,269
Other receipts, net	11,137	12,612
Net Cash Used in Operating Activities	(484,558)	(395,740)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	348,899	302,223
Gifts	19,298	19,543
Other nonoperating expenses, net	(255)	(738)
Net Cash Provided from Noncapital Financing Activities	367,942	321,028
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds	250,000	309,000
State debt service commitment	136,712	119,753
Purchases of property and equipment	(110,871)	(99,472)
Proceeds from sale of property and equipment	312	125
Principal paid on debt and bonds payable	(103,389)	(88,481)
Interest paid on debt and bonds payable	(51,929)	(49,062)
Capital allocation	10,909	6,636
Capital grants and gifts	11,138	18,189
Net Cash Provided from Capital Financing Activities	142,882	216,688
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(86)	(762)
Interest on investments	888	782
Deposit with bond trustee	(12,308)	(168,591)
Net Cash Used in Investing Activities	(11,506)	(168,571)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,760	(26,595)
BEGINNING CASH AND CASH EQUIVALENTS	218,191	244,786
ENDING CASH AND CASH EQUIVALENTS	$ 232,951	$ 218,191

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2015 and 2014

($ in thousands)

	2015	2014
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (447,194)	$ (430,565)
Adjustments to Reconcile Operating Loss to Net Cash Provided from (Used in) Operating Activities:		
Depreciation and amortization expense	95,990	95,377
Property and equipment	3,092	(127)
Investment	(1,910)	-
In-kind worker's compensation	2,294	1,831
Obligations under capital leases	61	101
Changes in Assets and Liabilities:		
Receivables, net	(2,551)	3,081
Inventories	(165)	3,420
Prepaid expenses and other assets	(3,551)	(457)
Accounts payable, wages payable and compensated absences	6,805	8,988
Unearned revenue	3,729	3,908
Deposits	59	320
Due from (to) State of Connecticut	6,436	4,483
Due to affiliate	(159,245)	(86,932)
Pension liabilities	10,707	-
Other liabilities	904	1,110
Loans to students	(19)	(278)
Net Cash Used in Operating Activities	$ (484,558)	$ (395,740)

	2015	2014
ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS		
Proceeds from refunding bonds	$ 40,279	$ 157,743
Amortization of premiums/discounts/net loss on debt refundings	7,885	6,032
Unrealized gain on investment	401	888
Capital assets acquired through gifts	16,324	256
Loss on disposal of capital assets	(2,332)	(1,168)
Investment under corporate licensing agreement	1,440	-

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

UNIVERSITY OF CONNECTICUT
COMPONENT UNIT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2015 and 2014

($ in thousands)

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	$ 3,102	$ 1,557
Pledges receivable, net of allowance	351	170
Other current assets	37	51
Total Current Assets	3,490	1,778
Noncurrent Assets		
Pledges receivable, net of allowance	111	48
Investments	19,252	19,314
Property and equipment, net of accumulated depreciation of $133 for 2015 and $131 for 2014	1	3
Total Noncurrent Assets	19,364	19,365
Total Assets	$ 22,854	$ 21,143
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 3	$ 6
Net Assets		
Unrestricted	1,792	1,787
Temporarily restricted	7,022	5,648
Permanently restricted	14,037	13,702
Total Net Assets	22,851	21,137
Total Liabilities and Net Assets	$ 22,854	$ 21,143

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
REVENUES AND SUPPORT					
Contributions and grants	$ 448	$ 1,409	$ 381	$ 2,238	$ 1,314
Interest and dividends	25	477	-	502	489
Net realized and unrealized gains	31	613	-	644	2,137
Net assets released from restrictions	1,123	(1,123)	-	-	-
Write-off of pledges receivable	48	(2)	(46)	-	-
Total Revenues and Support	1,675	1,374	335	3,384	3,940
EXPENSES					
Program Expenses					
Scholarships and awards	257	-	-	257	231
Student support and faculty support	681	-	-	681	592
Alumni and graduate relations	72	-	-	72	73
Total Program Expenses	1,010	-	-	1,010	896
Support Expenses					
Management and general	458	-	-	458	436
Fundraising	202	-	-	202	113
Total Support Expenses	660	-	-	660	549
Total Expenses	1,670	-	-	1,670	1,445
Changes in Net Assets	5	1,374	335	1,714	2,495
Net Assets-beginning of year	1,787	5,648	13,702	21,137	18,642
Net Assets-end of year	$ 1,792	$ 7,022	$ 14,037	$ 22,851	$ 21,137

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
For the Years Ended June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (UConn Health). Although governed by a single Board of Trustees, the University of Connecticut and UConn Health maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and appropriations from the State of Connecticut (State). UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. This financial report for the fiscal years ended June 30, 2015 and 2014 represents the transactions and balances of the University of Connecticut (University), herein defined as all programs except UConn Health.

Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) (see Note 13) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health, while the Law School Foundation, with similar objectives, supports only the University.

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 Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component unit of the University. The Law School Foundation's audited Statements of Financial Position and Statements of Activities are discreetly presented in their original formats on a separate page of the accompanying financial statements.

The Foundation materially supports the mission of the University and UConn Health, which are separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or UConn Health would distort its actual contribution or economic benefit to that entity and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

Financial Statement Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB.

The University follows the "business-type activities" (BTA) model as required by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. In conformity with GASB reporting requirements, the University presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; Notes to the Financial Statements; and Required Supplementary Information. All significant intra-agency transactions have been eliminated.

New Accounting Standards

In 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 67 pertains to financial reporting by state and local government pension plans, effective for plan years beginning after June 15, 2013. GASB 68 addresses new accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and is effective for the University beginning July 1, 2014. This statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

The State is statutorily responsible for the retirement benefits of State employees, including employees of the University, a component unit of the State. Under GASB 68, component units are required to recognize a liability for their proportionate share of the net pension liability of the primary government. Consequently, the University must report its proportionate share of the collective pension amounts related to the State Employees' Retirement System and the Teachers' Retirement System in its stand-alone financial statements effective for the fiscal year ended June 30, 2015. This statement also requires extensive note disclosure and required supplementary information (RSI) related to pensions.

In addition, the University adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective simultaneously with the provisions of GASB 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

For the implementation of GASB 68, it was not feasible for the University to restate financial statements for the year ended June 30, 2014. As a result, the cumulative effect of applying GASB 68 and 71 is reported as a restatement of beginning net position for the year ended June 30, 2015. The following table presents the impact of this change (amounts in thousands):

	2015
Beginning net position, July 1, 2014	$ 1,435,360
Cumulative effect of adoption of GASB 68 and 71	(577,593)
Adjusted beginning net position, July 1, 2014	$ 857,767

The University also adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective July 1, 2014 on a prospective basis. This Statement establishes accounting and financial reporting standards pertaining to government combinations and disposals of government operations. GASB 69 defines government combinations to include mergers, acquisitions and transfers of operations. This statement also provides guidance for disposals of government operations that have been transferred or sold. There was no significant impact on the accompanying financial statements for fiscal year 2015 as a result of this adoption.

Cash Equivalents (see Note 2)
For the purposes of the Statements of Cash Flows, 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 are also considered cash equivalents.

Investments (see Note 2)
The University accounts for its investments at fair value. Changes in the unrealized gain (loss) on the carrying value are recorded in nonoperating revenues (expenses) in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Noncurrent investments are externally restricted by donors or outside sources that have stipulated as a condition of the gift instrument that the principal be maintained inviolate and in perpetuity.

Accounts and Student Loans Receivable (see Note 3)
Accounts receivable consist of tuition, fees, auxiliary enterprises service fees and amounts due from state and federal governments for grants and contracts. Student loans receivable consist primarily of amounts due from students under the Federal Perkins Loan Program, which are subject to significant restrictions. The student loans receivable is classified as current and noncurrent based on the amount estimated to be collected from students in one year and beyond one year. Accounts and student loans receivable are recorded net of an estimated allowance for doubtful accounts.

Inventories
Inventories that consist primarily of maintenance and custodial supplies, repair parts, and other general supplies used in the daily operations of the University are fully expensed when received. Inventories classified as available for resale are reported on the accompanying Statements of Net Position and are valued at cost as determined by the first-in, first-out method.

Deposit with Bond Trustee (see Note 5)
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 State General Statutes.

The University directs the Trustee Bank to invest UCONN 2000 General Obligation construction fund proceeds in the State Treasurer's Short-Term Investment Fund. Similarly, the University has directed the Trustee Bank to invest the debt service funds and cost of issuance for the special obligation bonds in dedicated Short-Term Investment Fund accounts.

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. The Student Fee Revenue Bonds investment earnings are part of the pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. The 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 and are used by the Trustee Bank to meet the debt service payments on the defeased bonds until called.

Noncurrent Cash and Cash Equivalents (see Note 2)
Noncurrent cash and cash equivalents are related to endowment assets and are externally restricted as to use.

Property and Equipment (see Note 4)
Property and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Renovations that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance, and certain library materials, are charged to operating expenses in the year incurred. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years.

Most University capital assets are financed through the issuance of general obligation bonds, which are restricted in accordance with State legislation. Additionally, the repayment of principal and related interest on these bonds are funded through the State (see Note 5). Therefore, the University generally does not include interest in the cost of the capital assets constructed.

Compensated Absences (see Note 8)
Employee vacation, holiday, compensatory, and sick leave are accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as compensated absences in the accompanying Statements of Net Position and in the various expense functions on the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The liability for compensated absences is also classified as current and noncurrent based on the amount estimated to be paid to employees in one year and beyond one year, respectively.

Noncurrent Liabilities
Noncurrent liabilities include the long-term portion of compensated absences of the University, principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, pension liabilities, and governmental advances for revolving loan programs that would be returned to the federal government upon cessation of the student loan program.

Pension Liabilities (see Note 6)
In accordance with GASB 68, the University records its proportionate share of the State's collective net pension liability and collective pension expense for each defined-benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan's fiduciary net position has been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are both recognized when due and payable in accordance with the terms of each plan.

Unearned Revenue (see Note 11)
Unearned revenue includes amounts received for services to be rendered in a future accounting period including tuition and fee revenues and event ticket sales. It also includes amounts received for certain restricted research grants that are included in revenue until the funds are expended.

Deferred Outflows and Deferred Inflows of Resources (see Note 7)
The University reports its proportionate share of collective deferred outflows or collective deferred inflows of resources related to the State's defined-benefit plans. Differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions, changes in proportion, and differences between actual and proportionate share of contributions are classified as either deferred outflows or deferred inflows and are recognized over the average of the expected remaining service lives of employees eligible for pension benefits. The net differences between projected and actual earnings on pension plan investments are reported as deferred outflows or deferred inflows and are recognized over five years. Contributions to the pension plan from the University, subsequent to the measurement date of the net pension liability and before the end of the reporting period, are reported as a deferred outflow of resources related to pensions.

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 the old debt, or the new debt, whichever is shorter.

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, and 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:** Represents endowment and similar type assets in 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 and 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 the 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; however, they are 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. For the most part, 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, including consideration of prior or future revenue sources, the type of expense incurred, and the University's budgetary policies surrounding the various revenue sources or 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
Operating revenues consist of tuition and fees, state and federal grants and contracts, sales and services of educational activities, auxiliary enterprises revenue, and other sources of revenue. 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 recognized to the extent expended or in the case of fixed price contracts, when the contract terms are met or completed.

Operating expenses, except for depreciation and amortization, are reported using functional classification, including those under educational and general and auxiliary enterprises. See Note 15 for operating expenses by natural classification. All other revenues and expenses of the University are reported as nonoperating revenues and expenses including State appropriation, debt service commitment for interest, noncapital gifts, investment income, interest expense, net other nonoperating revenues (expenses), and other changes in net position. Revenues are recognized when earned and expenses are recognized when incurred.

GASB requires that revenues be reported net of discounts and scholarship allowances. Student aid for scholarships and fellowships, recorded in the accompanying Statements of Revenues, Expenses and Changes in Net Position, includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and is deducted from the University's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

Component Unit

The Law School Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the Law School Foundation's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Law School Foundation and/or passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- **Permanently Restricted Net Assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School Foundation. Generally, the donors of these assets permit the Law School Foundation to use all or part of the income earned on related investments for general or specific purposes.

Unconditional contributions are recognized as revenue when pledged or received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Investments in marketable debt and equity securities, money market funds and mutual funds are stated at fair value.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks. This is especially important as they relate to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name.

The University's total cash and cash equivalents balance was $233.0 million and $218.2 million as of June 30, 2015 and 2014, respectively, and included the following (amounts in thousands):

	2015	2014
Cash maintained by State of Connecticut Treasurer	$ 197,261	$ 190,067
Invested in State of Connecticut Short-Term Investment Fund	27,868	14,244
Invested in State of Connecticut Short-Term Investment Fund - Endowments	1,429	1,432
Invested in Short-Term Corporate Notes	3,881	5,511
Deposits with Financial Institutions and Other	2,512	6,937
Total cash and cash equivalents	232,951	218,191
Less: current balance	231,522	216,759
Total noncurrent balance	$ 1,429	$ 1,432

Collateralized deposits are protected by State statute. Under this statute, 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 based on the bank's risk-based capital ratio – a measure of the bank's financial condition. 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 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.

Short-Term Investment Fund (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. For financial reporting purposes, STIF is considered to be "cash equivalents" in the accompanying Statements of Net Position.

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, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts. Cash and cash equivalents include amounts of $27.9 million and $1.4 million invested in STIF, which had a Standard and Poor's rating of AAAm during fiscal year 2015. The $3.9 million invested in Short-Term Corporate Notes during fiscal year 2015 includes repurchase agreements held with a financial institution and is collateralized by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, both of which had an AA+ Standard and Poor's rating.

The University designated the Foundation as the manager of the University's endowment funds. Gifts that are internally designated as endowments, and externally designated endowment gifts that are to be processed for transfer to the Foundation, are included in cash and cash equivalents. 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 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 the 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 administrative 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 administrative fee taken together cannot exceed 6.5% or fall below 3.0% of the fair value of endowment funds at March 31. 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 administrative fee policies to allow endowments to grow at least at the annualized rate of inflation on average. This is consistent with the organization's objective of providing resources for the underlying purposes of 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.

The cost and fair value of the University's investments including those managed by the Foundation at June 30, 2015 and 2014 were (amounts in thousands):

	2015		2014	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Endowments:				
Foundation managed	$ 10,442	$ 11,661	$ 10,356	$ 12,114
Other:				
POET Technologies, Inc.	1,440	2,850	-	-
Campus Associates Limited Partnership interest	150	150	150	150
Total investments	$ 12,032	$ 14,661	$ 10,506	$ 12,264

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

Investment Objective/Strategies	Allocation Range as Percentage of Market Value
Growth	
High yield fixed income	0% - 10%
Global equities	0% - 70%
Private capital	0% - 20%
Global macro strategies	0% - 10%
Event driven strategies (ex diversified)	0% - 10%
Real estate (public & private)	0% - 10%
Other opportunistic	0% - 10%
Total Growth	40% - 85%
Inflation Hedge	
TIPS	0% - 10%
Natural resources/commodities	0% - 15%
Other inflation hedging strategies	0% - 10%
Total Inflation Hedge	5% - 25%
Risk Minimizing	
Investment grade fixed income	0% - 20%
Relative value/event driven (diversified)	0% - 15%
Cash equivalents	0% - 10%
Other low volatility strategies	0% - 10%
Total Risk Minimizing	5% - 40%

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, high yield fixed income, and bank loans had average credit quality of B1 (Moody's). The University endowment's foreign publicly traded equities totaled $1.8 million in fiscal years 2015 and 2014. Private capital investments totaled approximately $1.3 million and $1.7 million at June 30, 2015 and 2014, respectively.

The University also holds a partnership interest in Campus Associates Limited Partnership (see Note 13). The cost basis was used to estimate fair market value for this investment because the fair value was not readily available as of June 30, 2015 and 2014. As a result, the estimated fair value may differ from the value that would have been assigned had a ready market for such an investment existed; however, it is unlikely that such differences would be material.

In fiscal year 2012, the University received 250,000 shares in POET Technologies, Inc. (POET) as partial consideration for entering into a licensing agreement. During fiscal year 2014, the University restructured its license agreement with POET and accepted 2.0 million of common shares in exchange for reducing its sublicense royalty payment from 30% to 3%. As part of this restructured agreement, trading of these shares is restricted until May 2016. As a result, the University did not record a fair value estimate for fiscal year 2014 given that the amount was not readily determinable. Since the trading restriction expires within one year, the quoted market price was used to determine the fair value as of June 30, 2015. In accordance with the University's royalty sharing policy, 33 1/3% of the value of the POET shares must be distributed to the inventor and accordingly, a corresponding liability was recorded. 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.

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 $14.1 million and $14.2 million as of June 30, 2015 and 2014, respectively. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the years ended June 30, 2015 and 2014 was $554,000 and $499,000, respectively.

3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable at June 30, 2015 and 2014 consisted of the following (amounts in thousands):

	2015	2014
Grants and contracts	$ 29,368	$ 27,558
Student and general	20,829	20,239
Investment income	82	81
Allowance for doubtful accounts	(5,789)	(5,639)
Total accounts receivable, net	$ 44,490	$ 42,239

The University participated in the U.S. Department of Education Federal Direct Lending program during fiscal years 2015 and 2014 and distributed student loans through this program of $162.6 million and $155.8 million, respectively. 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, 2015 and 2014 was $184,000 and $262,000, respectively, and these amounts were included as receivables under grants and contracts.

The University reported student loans receivable of $12.7 million and $12.6 million for fiscal years ended June 30, 2015 and 2014, respectively. Student loans receivable are substantially comprised of amounts owed from students under the Federal Perkins Loan Program and are reported separately from accounts receivable on the accompanying Statements of Net Position. The amounts are reported net of an allowance for doubtful accounts of $1.0 million and $1.1 million at June 30, 2015 and 2014, respectively.

4. PROPERTY AND EQUIPMENT

Land, buildings, non-structural improvements, and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Any gains or losses on the exchange are recognized immediately.

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the respective assets. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years. Library materials, capitalized software, art and historical collections are all included in equipment in the accompanying schedule of Changes in Property and Equipment.

Library materials have an estimated useful life of 15 years. The value of library materials, before depreciation, was $81.7 million and $81.2 million with accumulated depreciation of $63.5 million and $58.0 million at June 30, 2015 and 2014, respectively.

Capitalized software has an estimated life of 3 years to 5 years. The value of capitalized software, before amortization, was $22.6 million and $29.4 million with accumulated amortization of $13.8 million and $18.9 million at June 30, 2015 and 2014, respectively.

Art and historical collections are recognized at their estimated fair values at the time of donation and are not depreciated. Art totaled $14.0 million and $13.8 million at June 30, 2015 and 2014, respectively. Historical collections totaled $41.7 million and $41.1 million at June 30, 2015 and 2014, respectively. The Thomas J. Dodd Research Center (Dodd Center) maintains historical collections of original source materials used for research as well as the University's official archive. In fiscal year 2002, historical collections were initially valued at $31.1 million based on an internal valuation performed by the Dodd Center. Beginning in 2002, the value of the Dodd Center Collection had been adjusted for new items if their fair value could be substantiated by an appraisal or an internal valuation. Beginning in 2011, new items have been added to the collection only if their fair value could be substantiated by an external appraisal.

On July 1, 2010, the University increased the capitalization threshold for equipment from $1,000 to $5,000. Equipment previously capitalized under the $5,000 threshold will be written-off when it becomes fully depreciated. For both years ended June 30, 2015 and 2014, total amounts of $3.0 million of fully depreciated equipment falling under the new threshold are included in equipment retirements.

For the year ended June 30, 2015, a total of $1.5 million was expensed under auxiliary enterprises in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for impairment losses due to structural deficiencies at a residential complex.

The following table describes the changes in property and equipment for the years ended June 30, 2015 and 2014 (amounts in thousands):

Changes in Property and Equipment for the Year Ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Transfers and other	Balance June 30, 2015
Property and equipment:					
Land	$ 20,029	$ 247	$ (2)	$ -	$ 20,274
Non-structural improvements	239,637	1,978	-	3,619	245,234
Buildings	1,902,953	31,503	(1,982)	36,607	1,969,081
Equipment	408,748	33,137	(22,134)	134	419,885
Construction in progress	72,076	68,985	-	(40,360)	100,701
Total property and equipment	2,643,443	135,850	(24,118)	-	2,755,175
Less accumulated depreciation and amortization:					
Non-structural improvements	124,403	8,635	-	-	133,038
Buildings	794,159	63,597	(381)	-	857,375
Equipment	256,027	23,758	(21,405)	-	258,380
Total accumulated depreciation and amortization	1,174,589	95,990	(21,786)	-	1,248,793
Property and equipment, net:					
Land	20,029	247	(2)	-	20,274
Non-structural improvements	115,234	(6,657)	-	3,619	112,196
Buildings	1,108,794	(32,094)	(1,601)	36,607	1,111,706
Equipment	152,721	9,379	(729)	134	161,505
Construction in progress	72,076	68,985	-	(40,360)	100,701
Property and equipment, net	$ 1,468,854	$ 39,860	$ (2,332)	$ -	$ 1,506,382

Changes in Property and Equipment for the Year Ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Transfers and other	Balance June 30, 2014
Property and equipment:					
Land	$ 18,497	$ 1,511	$ (1)	$ 22	$ 20,029
Non-structural improvements	226,290	3,071	-	10,276	239,637
Buildings	1,789,418	30,907	(1,512)	84,140	1,902,953
Equipment	403,364	14,562	(9,178)	-	408,748
Construction in progress	125,735	40,779	-	(94,438)	72,076
Total property and equipment	2,563,304	90,830	(10,691)	-	2,643,443
Less accumulated depreciation and amortization:					
Non-structural improvements	115,474	8,929	-	-	124,403
Buildings	732,301	62,535	(677)	-	794,159
Equipment	240,960	23,913	(8,846)	-	256,027
Total accumulated depreciation and amortization	1,088,735	95,377	(9,523)	-	1,174,589
Property and equipment, net:					
Land	18,497	1,511	(1)	22	20,029
Non-structural improvements	110,816	(5,858)	-	10,276	115,234
Buildings	1,057,117	(31,628)	(835)	84,140	1,108,794
Equipment	162,404	(9,351)	(332)	-	152,721
Construction in progress	125,735	40,779	-	(94,438)	72,076
Property and equipment, net	$ 1,474,569	$ (4,547)	$ (1,168)	$ -	$ 1,468,854

5. LONG-TERM DEBT PAYABLE

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

In fiscal year 2002, the General Assembly of the State of Connecticut (General Assembly) enacted and the Governor signed into law PA No. 02-3, *An Act Concerning 21st Century UConn* (Act). The new Act authorized additional projects for the University and UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program. The Act, as amended by PA No. 10-104 and 11-75, authorized projects under Phase III at a total estimated cost of $1,818.3 million, of which $1,769.9 million was financed by bonds of the University secured by the State's Debt Service Commitment and $48.4 million was financed by the issuance of special obligation bonds of the University, from gifts, other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings.

In June 2013, the General Assembly enacted and the Governor signed into law PA No. 13-233, *An Act Concerning Next Generation Connecticut*, an extension of Phase III which authorized additional projects, increased the cost of certain projects, increased the authorized bond funding secured by the State's Debt Service Commitment by $1,551.0 million and extended UCONN 2000 for an additional six fiscal years to 2024.

The total estimated cost for Phase I, II, and III under UCONN 2000, a twenty-nine year capital project program, is $4,619.3 million.

As part of the UCONN 2000 program, and in addition to $4.6 billion for phases I through III, the General Assembly and the Governor authorized $169.5 million in State General Obligation Bonds to finance the development of the Technology Park (Tech Park) on the Storrs campus for the University (see Note 13). In August 2011 and April 2013, $18.0 million and $20.0 million respectively, were allocated by the State Bond Commission. Also, in May 2015, the State Bond Commission allocated $131.5 million for the development of Tech Park. These bonds are obligations of the State and are not included as debt in the University's financial statements.

The University issues general obligation bonds to finance UCONN 2000 projects. The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds were deposited into irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt (see Note 1) and invested in U.S. Treasury, State and Local Government Securities and cash in accordance with the Escrow Agreement. 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 State debt service commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. 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 fiscal year 2015, the University issued the 2015 Series A bonds. The University recorded $220.2 million as State debt service commitment for principal together with part of the original issue premium, which resulted in total proceeds of $250.0 million. The proceeds included $159.8 million to finance projects for UConn Health for fiscal year 2015. In fiscal year 2014, the University issued the 2013 and 2014 Series A bonds. The University recorded $172.7 million and $109.0 million as State debt service commitment for principal together with part of the original issue premium, which resulted in total proceeds of $189.0 million and $120.0 million for the 2013 and 2014 Series A bonds, respectively. The proceeds included $116.8 million from the 2013 Series A bonds and $76.4 million from the 2014 Series A bonds to finance projects for UConn Health for fiscal year 2014. As bonds are issued, the amount of the commitment for UConn Health is reflected as an offset to the revenue for the University. This offset to finance projects for UConn Health, recorded in other changes in net position on the accompanying Statements of Revenues, Expenses, and Changes in Net Position, resulted in net revenue of $56.4 million and $88.5 million for the years ended June 30, 2015 and 2014, respectively. A corresponding liability is recorded in due to affiliate in the Statements of Net Position for the unspent portion of the bonds due to UConn Health ($80.3 million and $91.4 million at June 30, 2015 and 2014, respectively). Also, for the years ended June 30, 2015 and 2014, nonoperating revenues include the State debt service commitment for interest on general obligation bonds of $46.6 million and $42.1 million, respectively. A portion of interest on general obligation bonds is associated with UConn Health projects.

During fiscal years 2015 and 2014, the University issued the 2015, 2014, and 2013 Refunding Series A bonds to refund portions of the previously issued Series A General Obligation Bonds in advance of maturity. The decrease in bonds as a result of refundings in the amount of $3.9 million and $8.1 million is reflected as a reduction of the State debt service commitment for principal in fiscal years 2015 and 2014, respectively, on the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The refundings reduced the general obligation debt service payments in the future years by approximately $18.2 million and resulted in an economic gain (present value of the savings) of approximately $16.0 million.

The following table reflects the change in debt as a result of the Series A 2015, 2014, and 2013 refundings (amounts in thousands):

	2015	2014
2004 Series A	$ -	$ 17,270
2005 Series A	-	45,840
2004 Series A Refunding	-	89,195
2006 Series A	38,550	-
Total defeased debt	38,550	152,305
Total refunding bonds	34,625	144,190
Decrease in bonds as a result of refunding	$ 3,925	$ 8,115

The University may also issue special obligation bonds, also called student fee revenue bonds, which are backed by certain pledged revenues of the University. In fiscal years 2015 and 2014, there were no special obligation bonds issued or refunded.

The special obligation bonds are secured by certain pledged revenues, as defined in the indenture, including gross and net revenue amounts. The total gross and net pledged revenues from tuition and fees, auxiliary, investment and other revenues of the University were approximately $85.7 million in fiscal years 2015 and 2014. Gross pledged revenues include the infrastructure maintenance fee and the general university fee plus investment income on the bond accounts held by the Trustee Bank, prior to any payments, deductions, offsets, or provisions. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and the 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 such fiscal year for the special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2015 and 2014 was $164.5 million and $176.1 million, respectively. The total amount paid by pledged revenues was $6.0 million and $5.8 million for the principal and $5.6 million and $5.7 million for the interest on this debt in fiscal years 2015 and 2014, respectively.

Net unamortized premium and discounts are recorded as additions 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.

The University also has a long-term UCONN 2000 Governmental Lease Purchase Agreement to finance the UCONN 2000 project related to Cogeneration (see Note 10).

The State issues certain general obligation bonds that are categorized as self-liquidating bonds. These bonds are issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the State primarily with revenue from student fee charges in the amount equal to the debt service on self-liquidating bonds.

Long-term debt activity for the years ended June 30, 2015 and 2014 was as follows (amounts in thousands):

Long-term Debt Activity for the Year Ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Current portion
General obligation bonds	$ 1,023,985	$ 254,790	$ (130,790)	$ 1,147,985	$ 97,515
Revenue bonds	124,615	-	(5,990)	118,625	6,215
Self-liquidating bonds	551	-	(202)	349	74
Installment loans	1,027	61	(417)	671	425
Obligation under capital lease for Cogeneration	55,437	-	(4,039)	51,398	4,169
Total long-term debt	1,205,615	254,851	(141,438)	1,319,028	108,398
Premiums/discounts	107,074	37,134	(9,995)	134,213	9,800
Total long-term debt, net	$ 1,312,689	$ 291,985	$ (151,433)	$ 1,453,241	$ 118,198

Long-term Debt Activity for the Year Ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Current portion
General obligation bonds	$ 828,795	$ 425,900	$ (230,710)	$ 1,023,985	$ 92,240
Revenue bonds	130,415	-	(5,800)	124,615	5,990
Self-liquidating bonds	1,050	-	(499)	551	202
Installment loans	1,319	101	(393)	1,027	405
Obligation under capital lease for Cogeneration	59,320	-	(3,883)	55,437	4,040
Total long-term debt	1,020,899	426,001	(241,285)	1,205,615	102,877
Premiums/discounts	82,980	43,897	(19,803)	107,074	7,531
Total long-term debt, net	$ 1,103,879	$ 469,898	$ (261,088)	$ 1,312,689	$ 110,408

Long-term debt outstanding at June 30, 2015 and 2014 consisted of the following (amounts in thousands):

Type of debt and issue date	Type of issue	Principal payable	Maturity dates through fiscal year	Interest rate*	Balance 2015	Balance 2014
Bonds:						
GO 2005 Series A	original	annually	2025	3.7%	$ -	$ 4,895
GO 2006 Series A	original	annually	2026	4.0-5.0%	3,860	46,270
GO 2006 Ref. Series A	refund	annually	2020	4.75-5.0%	52,270	55,035
GO 2007 Series A	original	annually	2027	3.6-5.0%	50,400	54,600
GO 2007 Ref. Series A	refund	various	2022	5.0%	46,030	46,030
GO 2009 Series A	original	annually	2029	3.0-5.0%	100,990	108,115
GO 2010 Series A	original	annually	2030	3.0-5.0%	72,820	77,680
GO 2010 Ref. Series A	refund	annually	2021	2.25-5.0%	19,470	23,930
GO 2011 Series A	original	annually	2031	3.515-5.0%	143,775	152,765
GO 2011 Ref. Series A	refund	various	2023	2.0-5.0%	27,005	29,420
GO 2013 Series A	original	annually	2034	2.0-5.0%	164,030	172,660
GO 2013 Ref. Series A	refund	various	2024	2.0-5.0%	48,460	50,595
GO 2014 Series A	original	annually	2034	2.0-5.0%	103,600	109,050
GO 2014 Ref. Series A	refund	various	2025	2.0-5.0%	60,485	92,940
GO 2015 Series A	original	annually	2035	1.0-5.0%	220,165	-
GO 2015 Ref. Series A	refund	annually	2026	4.0-5.0%	34,625	-
Total general obligation bonds					1,147,985	1,023,985
Rev 2010 Ref. Series A	refund	annually	2028	3.0-5.0%	35,945	39,260
Rev 2012 Ref. Series A	refund	annually	2030	1.5-5.0%	82,680	85,355
Total revenue bonds					118,625	124,615
June 2001	refund	annually	2016	5.5%	74	149
April 2005	refund	various	2017	4.37-5.25%	275	275
December 2007	refund	annually	2015	3.5-5.0%	-	127
Total self-liquidating bonds					349	551
Total bonds					1,266,959	1,149,151
Loans and other debt:						
Installment loans		various	various	1.05-1.959%	671	1,027
Obligation under capital lease for Cogeneration		monthly	2026	3.22-5.09%	51,398	55,437
Total loans and other debt					52,069	56,464
Total bonds, loans and installment purchases					1,319,028	1,205,615
Premiums/discounts					134,213	107,074
Total bonds, loans and installment purchases, net					1,453,241	1,312,689
Less: current portion, net					118,198	110,408
Total noncurrent portion, net					$ 1,335,043	$ 1,202,281

**Weighted average coupon rates averaged by year of redemption.*

Long-term debt including general obligation bonds, revenue bonds, and loans are 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
2016	$ 97,515	$ 50,850	$ 148,365	$ 10,882	$ 6,989	$ 17,871	$ 108,397	$ 57,839	$ 166,236
2017	95,275	48,870	144,145	11,263	6,594	17,857	106,538	55,464	162,002
2018	92,100	44,691	136,791	11,167	6,186	17,353	103,267	50,877	154,144
2019	88,455	40,520	128,975	11,425	5,779	17,204	99,880	46,299	146,179
2020	82,755	36,402	119,157	12,487	5,325	17,812	95,242	41,727	136,969
2021-2025	336,175	129,468	465,643	65,617	18,813	84,430	401,792	148,281	550,073
2026-2030	235,380	59,508	294,888	48,202	5,636	53,838	283,582	65,144	348,726
2031-2035	120,330	14,038	134,368	-	-	-	120,330	14,038	134,368
Total	$ 1,147,985	$ 424,347	$ 1,572,332	$ 171,043	$ 55,322	$ 226,365	$ 1,319,028	$ 479,669	$ 1,798,697

6. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

The University implemented GASB 68 for the fiscal year ended June 30, 2015. Under GASB 68, governmental employers whose employees participate in pension plans covered under GASB 67, and who prepare accrual based financial statements are required to report their share of the pension liabilities and related deferred outflows and deferred inflows of resources in their stand-alone financial statements. The University did not restate the accompanying financial statements for the year ended June 30, 2014; therefore, pension liabilities and related deferred outflows or deferred inflows were not reflected for that fiscal year based on prior pension accounting standards. Alternatively, the cumulative effective of implementing GASB 68 was recorded as an adjustment to beginning net position for the year ended June 30, 2015 (see Note 1).

State Employees' Retirement System (SERS)

Pension plan. SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. Approximately 51% of the University's eligible employees participate in SERS which is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. SERS consists of five plans: Tier I, Tier II, Tier IIA, Tier III, and the Hybrid Plan. The University, a component unit of the State, must report its proportionate share of the collective net pension liability and related measures as if SERS was a cost-sharing employer plan in accordance with GASB 68.

Benefits provided. SERS was established by the General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula that takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes. SERS does not issue a stand-alone financial report but is reported as a fiduciary fund 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.

Contributions. The contribution requirements are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 2.0% and 4.0% of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5.0% above that level; Tier I Plan C members are required to contribute 5.0% of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4.0% of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2.0% and 5.0% of their annual salary, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternate Retirement Plan are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA/III for individuals hired on or after July 1, 2011, but requires employee contributions 3.0% higher than the contribution required from the applicable Tier II/IIA/III Plan.

The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the State at 35.2% and 34.5% for fiscal years 2015 and 2014, respectively. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's contributions for regular and hazardous duty members were $66.9 million and $57.2 million for fiscal years 2015 and 2014, respectively.

Proportionate share of collective Net Pension Liability (NPL). At June 30, 2015, the University reported a liability of $722.0 million for its proportionate share of the collective NPL. The collective NPL was measured as of June 30, 2014, and the total pension liability (TPL) used to calculate the collective NPL was determined by an actuarial valuation as of that date. The University's proportion of the collective NPL was based on the University's share of contributions relative to total contributions made to SERS. Based on this calculation, the University's proportion was 4.51% at June 30, 2014 which was an increase of a 0.7 percentage point from its proportion measured as of June 30, 2013. The significant change in proportion was primarily due to increased transfers to the new hybrid plan.

Actuarial assumptions. TPL for SERS was determined based on the annual actuarial funding valuation report prepared as of June 30, 2014 and was based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2011. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	4.00% – 20.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for Annuitants and Non-Annuitants projected with the scale AA, 15 years for men (setback 2 years) and 25 years for women (setback 1 year) for the period after service retirement and for dependent beneficiaries. For the period after disability retirement, 55% (men) and 80% (women) of the RP-2000 Disabled Mortality Table was used. The projection of the RP-2000 mortality rates with age setbacks as described provides an approximate 13% margin in the assumed rates of mortality.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%
TIPS	5.0%	1.0%
Cash	4.0%	0.4%
Total	100.0%	

Discount rate. The discount rate used to measure the TPL at June 30, 2014 was the long-term rate of return of 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2115.

Based on those assumptions, SERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

Sensitivity of the University's proportionate share of the collective NPL to changes in the discount rate. The following table presents the University's proportionate share of the collective NPL calculated using the discount rate of 8.0%, as well as 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 (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

	1% Decrease (7.0%)	**Current Discount Rate (8.0%)**	**1% Increase (9.0%)**
University's proportionate share of the collective NPL – (SERS)	$ 861,300	$ 722,009	$ 604,867

A recent study performed on this plan suggested lowering the long-term assumed investment return to reduce funding shortfalls for ongoing benefits. The State is considering lowering the discount rate to 7.0% for future reporting periods.

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2014.

Connecticut Teachers' Retirement System (TRS)

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

Benefits provided. TRS provides retirement, disability, and death benefits, and annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes. TRS does not issue a stand-alone financial report but is reported as a fiduciary fund within the State's CAFR, which is available on the website of the Office of the State Comptroller.

Contributions. The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 6.0% of their annual salary. According to Section 10-183z of the State General Statutes, a special funding situation requires the State to contribute 100% of employer's contributions on behalf of its municipalities at an actuarially determined rate. 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 makes contributions on behalf of the employees through a fringe benefit charge assessed by the State at 35.0% and 33.0% for fiscal years 2015 and 2014, respectively. The University's contributions for fiscal years 2015 and 2014 were $425,000 and $393,000, respectively.

Proportionate share of collective NPL. At June 30, 2015, the University reported a liability of $4.1 million for its proportionate share of the collective NPL. The collective NPL was measured as of June 30, 2014, and the TPL used to calculate the collective NPL was determined by an actuarial valuation as of that date. The University's proportion of the collective NPL was based on the University's share of contributions relative to total contributions made to TRS. Based on this calculation, the University's proportion was 0.04% at June 30, 2014 which was a decrease less than a .01 percentage point from its proportion measured as of June 30, 2013.

Actuarial assumptions. TPL as of June 30, 2014 was determined based on the annual actuarial funding valuation report prepared as of June 30, 2014 and was based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The key actuarial assumptions are summarized below:

Inflation	3.00%
Salary increases	3.75% – 7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries. The Scale AA projection to 2019 of the RP-2000 mortality rates with two-year setbacks is estimated to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience. The post-retirement mortality rates are multiplied by 75% for death in active service. The post-retirement mortality rates are set forward ten years 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 by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Mutual Equity	25.0%	7.3%
Developed Markets ISF	20.0%	7.5%
Emerging Markets ISF	9.0%	8.6%
Core Fixed Income	13.0%	1.7%
Emerging Market Debt	4.0%	4.8%
High Yield	2.0%	3.7%
Inflation Linked Bonds	6.0%	1.3%
Liquidity Fund	6.0%	0.7%
Real Estate	5.0%	5.9%
Private Investment	10.0%	10.9%
Total	100.0%	

Discount rate. The discount rate used to measure the TPL was 8.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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 of the University's proportionate share of the collective NPL to changes in the discount rate. The following presents the University's proportionate share of the collective NPL calculated using the discount rate of 8.5%, as well as 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 (7.5%) or 1-percentage-point higher (9.5%) than the current rate (amounts in thousands):

	1% Decrease (7.5%)	**Current Discount Rate (8.5%)**	**1% Increase (9.5%)**
University's proportionate share of the collective NPL – (TRS)	$ 5,220	$ 4,090	$ 3,128

A recent study performed on this plan suggested lowering the long-term assumed investment return to reduce funding shortfalls for ongoing benefits. The State is considering lowering the discount rate to 7.0% for future reporting periods.

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the TRS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2014.

Proportionate Share of Collective NPL and Collective Pension Expense

The University's portion of the collective NPL at June 30, 2015 and related pension expense for fiscal year 2015 consisted of the following (amounts in thousands):

	SERS	TRS	Total
University's proportionate share of the collective NPL	$ 722,009	$ 4,090	$ 726,099
University's proportionate share of the collective pension expense	$ 77,766	$ 240	$ 78,006

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The University reported deferred outflows of resources related to pensions of $164.3 million as of June 30, 2015. This consisted of changes in the University's proportion of the collective NPL for SERS of $97.0 million in addition to University contributions made subsequent to the measurement date but before the end of the reporting period of $66.9 million for SERS and $425,000 for TRS.

The University reported deferred inflows of resources related to pensions of $26.5 million as of June 30, 2015. This included the University's proportionate share of each plan's collective deferred inflows relating to net differences between projected and actual earnings on pension plan investments of $25.8 million and $336,000 for SERS and TRS, respectively. Changes in the University's proportion and contributions included for TRS totaled $392,000.

The $67.3 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 year ending June 30, 2016. Other amounts reported above 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
2016	$ 14,064	$ (152)	$ 13,912
2017	14,064	(152)	13,912
2018	14,064	(151)	13,913
2019	14,063	(151)	13,912
2020	14,973	(68)	14,905
Thereafter	-	(55)	(55)
Total	$ 71,228	$ (729)	$ 70,499

Alternate Retirement Plan

The University also sponsors the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Voya Retirement Insurance and Annuity Company. Beginning July 1, 2015, administration of ARP has changed to 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 and the central office staff of the Department of Higher Education, are eligible to participate in ARP. Participants must contribute 5% of eligible compensation each pay period while the University will contribute an amount equal to 8% of the participant's eligible compensation. Participant and University contributions are both 100% vested immediately. For fiscal years 2015 and 2014, University contributions to ARP were approximately $18.9 million and $19.0 million, respectively.

A participant who retires or who experiences severance of employment for any reason other than retirement may elect, by written notice to the Plan administrator, to commence distribution of his or her account after attaining age 55; provided however, that the participant who experiences a severance of employment from state service with less than 5 years of participation may elect, at the time and in the manner prescribed by the Plan administrator, to have his or her entire account paid directly to an eligible retirement plan in a direct rollover prior to attaining age 55. The participant or designated beneficiary can withdraw a partial or lump cash payment or receive installment payments or annuity payments. Other ARP provisions are described in Title 5 – State Employees, Chapter 66 – State Employees Retirement Act of the Connecticut General Statutes.

Department of Dining Services

With respect to the University's Department of Dining Services (DDS), of its 514 full-time employees, 68 participate in either SERS or ARP, while 446 are eligible to participate in two other retirement 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. Both plans are administered through a third-party administrator (TPA), 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.

The MPPP is a defined contribution plan. Under the provisions of MPPP, all employees of DDS with 700 hours of service and 12 months of service are eligible to participate. DDS is required to contribute 6% or 8% of employees' covered compensation for eligible employees, dependent upon hire date, and its employees do not make any contributions to the Plan. Employees are vested after 3 years of credited service. Employees who terminated prior to January 1, 2007 are subject to a 5 year vesting cliff. Any amounts forfeited shall be used to reduce DDS's contribution. On behalf of MPPP participants, DDS contributed approximately $771,000 and $702,000 to the plan for the years 2015 and 2014, respectively. Forfeitures used to reduce the required contributions were approximately $19,600 and $10,700, respectively. 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.

The University of Connecticut, Department of Dining Services 403(b) Retirement Plan is also a defined contribution plan. 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 department participant employed on September 1, 1994 or terminated and rehired prior to September 1, 1995 who has 700 hours of service, DDS is required to contribute 50% of the first 4% of compensation, if deferred. Participants hired after August 31, 1994, do not receive a DDS match. Participant and State matches are both 100% vested. On behalf of 403(b) Retirement Plan participants, DDS contributed approximately $21,100 and $20,200 to the plan for the years 2015 and 2014, respectively. 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.

Post-Employment Benefits other than Pension

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's 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. Currently, the State is responsible for and finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund; therefore, no liability is recorded in the University's financial statements. However, implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* will require additional disclosures and reporting of the University's proportionate share of the net liability related to its participation in the postemployment benefit plans on the Statements of Net Position as well as more extensive note disclosures and required supplementary information about the postemployment liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. The University is still evaluating the overall impact of this requirement to its financial statements.

7. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2015 and 2014 (amounts in thousands):

	2015	2014
Deferred Outflows of Resources		
Accumulated loss on debt refundings, net	$ 6,766	$ 7,452
Amounts related to pension liabilities	164,314	-
Total deferred outflows of resources	$ 171,080	$ 7,452
Deferred Inflows of Resources		
Amounts related to pension liabilities	$ 26,515	$ -

8. COMPENSATED ABSENCES AND WAGES PAYABLE

Compensated absences are recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability for compensated absences 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. Compensated absences include accrued unused vacation, holiday, compensatory and sick leave balances for employees. As of June 30, 2015 and 2014, compensated absences totaled $35.1 million and $34.0 million, respectively. During fiscal year 2009, the State offered a Retirement Incentive Plan (RIP) to University employees. According to the terms of the RIP, unused vacation and sick leave will be paid in three payments on July 1 of each year, beginning July 1, 2012. Included in the current compensated absences liability as of June 30, 2014 was $860,000 for accrued vacation and sick leave for University employees that participated in RIP. The final payment of the RIP was made in July 2014.

The following table shows activity for compensated absences for the fiscal years ended June 30 (amounts in thousands):

	2015	2014
Beginning balance, July 1	$ 33,956	$ 33,227
Additions, net	4,189	3,783
Deductions (separations only)	(3,048)	(3,054)
Ending balance, June 30	$ 35,097	$ 33,956

Wages payable includes salaries and wages for amounts owed at the fiscal year end June 30. The State administers benefit and retirement plans for the University. Therefore, the liability for fringe benefits related to wages payable is included in due to State as of June 30.

9. COMMITMENTS

The University had outstanding commitments, in excess of $500,000 each, of $346.4 million at June 30, 2015. This amount included $210.0 million related to capital projects for the University and $134.2 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 on the accompanying Statements of Net Position (see Note 5). In addition to the amounts related to capital outlay, approximately $2.2 million in outstanding commitments related to operating expenses. A portion of the total amount of outstanding commitments was also included in accounts payable on the accompanying Statement of Net Position as of June 30, 2015. See Note 10 for amounts related to operating leases.

10. LEASES

Operating Leases
The University leases equipment and building space that expire at various dates. Future minimum rental payments at June 30, 2015 under non-cancellable operating leases that exceeded $500,000 each were as follows (amounts in thousands):

Fiscal Year	Payments
2016	$ 1,693
2017	687
2018	624
2019	632
2020	641
Thereafter	1,106
Total	$ 5,383

Expenses related to operating lease commitments in excess of $500,000 each were approximately $1.0 million and $1.1 million for the fiscal years ended June 30, 2015 and 2014, respectively.

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 for the University at its Storrs campus. The project initially assumed a total cost of $75.0 million and included construction of the Cogeneration facility, engineering, design and installation of certain equipment at the Storrs campus. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to $81.9 million. With the amendment, monthly payments of $471,000 increased to $517,000. Payments began January 2006 with interest at a nominal rate of 4.42% on the first $75.0 million and 5.09% for the last $6.9 million of advances. The lease was amended again in July 2013 to reflect a new nominal rate of 3.22% on the total amount of advances. The remaining monthly payments decreased to $482,000 beginning August 2013, and the original lease term did not change. Amounts advanced by the lessor include capitalized interest during construction, and are reflected as long-term debt in the accompanying financial statements. At the completion of the lease term, the University has an option to purchase the project assets for one dollar. The historical cost and accumulated depreciation of the Cogeneration facility were $82.6 million and $32.4 million, respectively, as of June 30, 2015.

The University leases equipment assets with a historical cost and accumulated depreciation of $2.0 million and $698,000, respectively, as of June 30, 2015.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statements of Net Position, and depreciation on these assets is included in depreciation and amortization expense in the accompanying Statements 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 on the accompanying Statements of Net Position (see Note 5).

11. UNEARNED REVENUE

Unearned revenue is comprised of certain restricted research and operating grants that are not included in revenue until the funds are expended; tuition and fees and auxiliary enterprises fees received in advance of services rendered for summer and fall sessions; and athletic ticket sales and commitments received in advance of the season.

As of June 30, 2015 and 2014 unearned revenue was as follows (amounts in thousands):

	2015	2014
Tuition and fees and auxiliary enterprises	$ 22,062	$ 17,935
Certain restricted research and operating grants	9,037	8,431
Athletic ticket sales and commitments	2,063	3,067
Total unearned revenue	$ 33,162	$ 29,433

12. 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 Statements of Revenues, Expenses, and Changes in Net Position. This increased tuition and fee revenues and operating expenses by $6.5 million and $5.7 million for the fiscal years ended June 30, 2015 and 2014, respectively. The total amount of waivers not reflected in the accompanying financial statements were $50.7 million and $48.6 million in fiscal years 2015 and 2014, respectively. Approximately 94% was provided to graduate assistants in fiscal years 2015 and 2014. Of these amounts, $2.0 million and $2.2 million, respectively, were charged back to grants for reimbursement.

13. 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:

The Foundation

The Foundation is a tax-exempt organization supporting the University and UConn Health (see Note 1). The University has 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 University also provides other services to the Foundation in addition to this agreement. The following transactions occurred between the University and the Foundation as of and for the years ended June 30, 2015 and 2014 (amounts in thousands):

	2015	2014
Amount paid to the Foundation for its guaranteed contractual services	$ 7,170	$ 7,120
Reimbursements from the Foundation for operating expenses	$ 165	$ 172
Accrued capital and noncapital gift and grant revenue from the Foundation	$ 25,152	$ 39,190
Amount receivable from the Foundation*	$ 5,620	$ 5,913

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

In accordance with the terms of a ground lease between the University and the Foundation, the University leases approximately 1.58 acres to the Foundation, on which the Foundation building was constructed, at an annual rental amount of one dollar. The initial term of the ground lease is ninety-nine years and the Foundation has the right to extend the term of the ground lease for another ninety-nine 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.

University of Connecticut Research and Development Corporation

The University of Connecticut Research and Development Corporation, also known as UConn Ventures (UCV), was established to assist in the efficient transfer of innovative technologies and processes developed by the faculty and staff of the University, through creation of new commercial enterprises. The Foundation is the sole shareholder of UCV. The University and UCV entered into an Invention Administration Agreement (IAA) in fiscal year 2013 under which the University granted UCV an option to license certain rights to the University's technology developed in faculty labs, provide funding to operate UCV and pay for UCV's patent portfolio. In accordance with the IAA, the University will pay the UCV an amount not to exceed $876,000 through December 31, 2015. The amounts paid by the University to UCV per the IAA totaled $511,000 and $100,000 as of June 30, 2015 and 2014, respectively.

University of Connecticut Alumni Association

The University and the University of Connecticut Alumni Association (Association), a Connecticut non-stock corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code, have an agreement that recognizes the benefits of a coordinated approach to alumni relationship building and defines the responsibilities of the parties. During the years ended June 30, 2015 and 2014, the University directed support to the Association in the amount of $1.1 million and $526,000, respectively. The amounts supported by the University consist primarily of payroll and other operating expenses that facilitate the alumni programs and services for the benefit of the University. The Association also agreed to reimburse the University for certain operating expenses incurred on the Association's behalf. The amounts owed to the University related to these expenses from the Association as of June 30, 2015 and 2014 were $8,000 and $40,000, respectively, which were included in net accounts receivable in the accompanying Statements of Net Position.

Additionally, the Association manages the University's license plate program that has been established through the Department of Motor Vehicles. All revenue received by the University from the license plate program is disbursed to the Association to fund scholarships and to further support alumni outreach efforts.

In June 2015, members of the Association approved dissolving the organization and transferring most of its assets to the Foundation in order to strengthen alumni engagement efforts. Under the terms of the agreement, the Association's assets will be transferred to the Foundation, specifically designated for alumni/chapter programming, scholarship support and maintenance of the Alumni House. As part of the dissolution, in September 2015, the Association and the University executed an agreement transferring ownership of the Alumni House to the University for one dollar.

The State

The University receives funding from the State for capital projects via UConn 2000 (see Note 5). In addition, the State supports the University's mission primarily via two mechanisms: State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the State's 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 years ended June 30, 2015 and 2014 consisted of the following (amounts in thousands):

	2015	2014
Amount of General Fund appropriation received from the State	$ 222,212	$ 202,574
Amount of payments for fringe benefits received from the State	128,981	101,479
Increase (Decrease) of General Fund payroll included in receivable from the State	(494)	4,016
Total appropriation and payments for fringe benefits from the State	$ 350,699	$ 308,069

For fiscal years 2015 and 2014, the University was subject to reductions in State support of approximately $11.5 million and $1.2 million, respectively. In fiscal year 2016, similar adjustments are expected to reduce appropriation and payments for fringe benefits by approximately $5.5 million with additional reductions possible. Also in fiscal year 2016, the State's deficit mitigation plan will result in a transfer of $8.5 million from the University's unrestricted funds to the State's General Fund.

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 Tech Park on the Storrs campus (see Note 5). The State Bond Commission allocated $38.0 million of the authorized amount in prior fiscal years to finance the initial design, development costs, and equipment purchases for the Tech Park. On May 11, 2015, the State Bond Commission allocated $131.5 million to finance construction for the Tech Park. These bonds are an obligation of the State; therefore, they are not recorded as a liability in the accompanying financial statements. The $131.5 million allotted by the State was recorded as a capital allocation in other changes in net position in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2015. The unspent portions related to these bonds were $149.5 million and $29.0 million as of June 30, 2015 and 2014, respectively, and were included in due from State in the accompanying Statements of Net Position.

The State and the University were defendants in two significant lawsuits that were settled in fiscal years 2014 and 2015. One was settled for $5.5 million in September 2013 and another unrelated suit was settled for $1.2 million in July 2014. These amounts were paid directly by the State in accordance with State statute; therefore, they were not reflected in the accompanying financial statements (see Note 14).

UConn Health

The University is responsible for the management of UCONN 2000 funds for UConn Health's construction projects. The unspent portion of these funds was recorded under due to affiliate on the accompanying Statements of Net Position (see Note 5). In addition, the University engaged in certain cost share arrangements with UConn Health for shared services.

The University and UConn Health have also partnered to support economic development activities and to achieve successful outcomes for the Tech Park and Bioscience Connecticut initiative. In fiscal years 2015 and 2014, UConn Health and the University each provided an equal share of funding for economic development activities in accordance with an annual memorandum of agreement. The budget was managed by the University while selected expenses were paid directly by UConn Health. Any amounts owed by UConn Health for its remaining funding obligations were reimbursed directly to the University.

Campus Associates Limited Partnership

The University entered into a 50-year land lease with Campus Associates Limited Partnership (Campus Associates) on February 1, 2000. The limited partnership was formed for the purpose of managing the Nathan Hale Inn, a hotel located on campus. The lease provided for base rents of $5,000 for the first five years and $25,000 for the sixth year. For the seventh year and every year thereafter, base rent was adjusted by the increase in the Consumer Price Index. In exchange for a rent concession amounting to $100,000 in total for five years, the University received two limited partnership units. The University purchased a third unit in the limited partnership for $50,000 in fiscal year 2009 (see Note 2). Under the land lease agreement, Campus Associates was also obligated for certain costs which include real estate taxes, charges for public utilities, and other services. Amounts due from Campus Associates, net of allowances, totaled $16,000 and $109,000 as of June 30, 2015 and 2014, respectively.

In December 2014, the Board of Trustees approved a plan to negotiate an agreement to buy the Nathan Hale Inn to help meet the University's student housing needs. On July 1, 2015 the University purchased the Nathan Hale Inn from Campus Associates for a purchase price of $8.4 million. As part of the purchase price, the University agreed to assume payments on an outstanding promissory note between Campus Associates and a previous lender. The outstanding balance on the promissory note on July 1, 2015 was $5.4 million. In accordance with the Escrow and Closing Agreement, on June 30, 2015 the University made an initial payment of $3.0 million prior to closing which is included in prepaid expenses and other assets in the Statement of Net Position.

Mansfield Downtown Partnership, Incorporated

The Mansfield Downtown Partnership, Incorporated (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is comprised 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: Storrs Center, 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 years 2015 and 2014, the University paid $125,000 each year in annual membership dues to MDP.

In connection with the Storrs Center project, the University entered into an agreement with the master developer of the project to sell 18.80 acres of land for approximately $101,000 per acre which is to be divided up in phases. In fiscal years 2015 and 2014, the University conveyed 3.09 acres and 1.24 acres, respectively, to the master developer which were sold at the stated price per acre. Further land transactions are expected as the Storrs Center project continues to progress. Moreover, the University also provided water and sewer services, which were billed in accordance with the University's standard billing practices.

14. CONTINGENCIES

Certain claims and judgments against the University are covered by the State under Connecticut General Statute § 4-160 (see Note 13), which governs most tort and breach of contract claims. Additional coverage is provided for the University by insurance policies and funds maintained by the State.

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. With respect to two matters, certain claimants seek an aggregate of approximately $25.0 million. If claimants are successful, the claim will be paid from the State's General Fund, not from the University. The State expects these matters to be resolved for substantially less than the amounts claimed. In the opinion of legal counsel, the aggregate exposure pertaining to the other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed $5.0 million.

In the fiscal year ended June 30, 2014, it was determined that fringe benefit assessments charged to the State's General Fund were overstated in fiscal years 2003 to 2014 due to an allocation error in the State's accounting system. As a result of this error, State appropriation funding received from the State exceeded what should have been received had the correct assessments been charged. In fiscal year 2016, the General Assembly passed the State's deficit mitigation plan that included $4.4 million to compensate for this allocation error and released the University from any associated liability.

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

15. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The table below details the University's operating expenses by natural classification for the years ended June 30, 2015 and 2014 (amounts in thousands):

For the fiscal year ended June 30, 2015:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 240,095	$ 110,779	$ 31,372	$ 10	$ -	$ 382,256
Research	37,462	11,796	24,338	-	-	73,596
Public service	27,443	10,986	10,455	-	-	48,884
Academic support	65,025	35,905	30,984	-	-	131,914
Student services	20,179	11,392	5,382	2	-	36,955
Institutional support	29,909	19,067	8,286	68	-	57,330
Operations and maintenance	31,836	27,213	39,605	16,235	-	114,889
Depreciation and amortization	-	-	-	-	95,990	95,990
Student aid	265	33	8,829	-	-	9,127
Auxiliary enterprises	89,868	43,993	68,875	6,897	-	209,633
	$ 542,082	$ 271,164	$ 228,126	$ 23,212	$ 95,990	$ 1,160,574

For the fiscal year ended June 30, 2014:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 227,015	$ 95,325	$ 30,899	$ 12	$ -	$ 353,251
Research	39,733	10,910	28,841	-	-	79,484
Public service	24,495	8,648	8,776	-	-	41,919
Academic support	63,884	32,496	29,140	37	-	125,557
Student services	20,345	10,651	5,791	-	-	36,787
Institutional support	26,547	15,238	12,638	61	-	54,484
Operations and maintenance	33,506	25,144	31,964	14,534	-	105,148
Depreciation and amortization	-	-	-	-	95,377	95,377
Student aid	1	-	8,795	-	-	8,796
Auxiliary enterprises	85,550	39,303	65,763	6,319	-	196,935
	$ 521,076	$ 237,715	$ 222,607	$ 20,963	$ 95,377	$ 1,097,738

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

State Employees' Retirement System (SERS)

The University's schedule of its proportionate share of the collective net pension liability (NPL) as of June 30 is shown below (amounts in thousands):

Year Ended June 30	University's proportion of the collective NPL	University's proportionate share of the collective NPL	Covered-employee payroll	University's proportionate share of the collective NPL as a % of covered-employee payroll	Plan fiduciary net position as a % of the total pension liability
2015	4.51%	$ 722,009	$ 165,841	435.36%	39.54%

The University's schedule of employer contributions as of June 30 is the following (amounts in thousands):

Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a % of covered-employee payroll
2015	$ 66,875	$ 66,875	$ -	$ 189,903	35.22%

Notes to Required Schedules

Changes of benefit terms:
For the June 30, 2014 valuation, there were two changes in benefit terms:

a. The 2011 SEBAC Agreement changed the benefit multiplier for the portion of benefit below the breakpoint from 1.33% to 1.40%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA and III.

b. A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain the eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

Method and assumptions used in calculations of actuarially determined contributions:
The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Single equivalent amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increase	4.00-20.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

Teachers' Retirement System (TRS)

The University's schedule of its proportionate share of the collective NPL as of June 30 is shown below (amounts in thousands):

Year Ended June 30	University's proportion of the collective NPL	University's proportionate share of the collective NPL	Covered-employee payroll	University's proportionate share of the collective NPL as a % of covered-employee payroll	Plan fiduciary net position as a % of the total pension liability
2015	0.04%	$ 4,090	$ 1,191	343.41%	61.51%

The University's schedule of employer contributions as of June 30 is the following (amounts in thousands):

Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a % of covered-employee payroll
2015	$ 425	$ 425	$ -	$ 1,214	35.01%

Notes to Required Schedules

Changes in assumptions:
In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for TRS for the five year period ended June 30, 2010.

Method and assumptions used in calculations of actuarially determined contributions:
The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense

TRUSTEES AND FINANCIAL OFFICERS
As of June 30, 2015

BOARD OF TRUSTEES

FINANCIAL OFFICERS

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1881